What's Ahead?—A Better Market

Reasons Why Prices of Securities Have Seen Their Lowest—The Market Beginning to Discount Improvement in Business During the Fall and Winter—It Is Time to Buy

By **RICHARD D. WYCKOFF**

ON April 15 I attended a conference of Wall Street men who were called together for the purpose of discussing the financial, business and stock market situation, with a view to deciding the probable course of the market for the next few months. Those who attended were not only well-posted; they were men whose business it is to make a deep study of these problems, for upon the correctness of their views, depends, in a large measure, their success.

Almost to a man they were pessimistic. The discussion covered the depressed condition of industry in general; unemployment of labor; small amount of freight moving; persistent liquidation of commodities; shut-downs in mining; scarcity of new capital; prostration of foreign trade; idle ships.

We went thoroughly into the critical position of the railroads, with the impossible labor costs; the probability of interest and principal defaults or receivership; the staggering idle car figures, and the generally hopeless conditions.

We argued the possibilities for improvement or disaster as a result of the German reparation settlement; the chances for French insolvency; what Germany could or might pay; the underlying weakness abroad which was producing heavy gold imports; exhaustion of foreign credit in America; the moratorium in South America.

Then we came back home and went into the steel industry, with its 30% to 40% operations, little or no new business, no profits for the independents; how there could be but little business with the big consumers of steel (the farmers and railroads) in no position to buy; the South all tied up with its unsold cotton, with market prices less than cost, and another big crop coming on.

In brief, we went into all the big factors that are fundamental in agriculture, commerce and industry, and it made a mighty blue picture.

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HAVING outlined, before this meeting, a number of somewhat favorable facts, figures and factors, I put these forward in a rather diffident way, as I had no desire to impose my views upon those present, but rather to draw out their attitude and opinions as to the probable course of events, principally stock marketwise. Although agreeing in most respects with the conclusions covering present conditions above outlined, I attempted to draw forth a consensus of opinion as to what the market was going to do, for while such discussions are interesting and edifying, the real test of their value lies in whether or not they can be turned into money. The consensus was that with such an array of unfavorable conditions, the prices of stocks could not advance to a greater extent than the ordinary rallies which are characteristics of a readjustment period.

Finally I requested that a vote be taken as to whether those present believed that the average price of fifty railroad and industrial stocks would go lower than in December, 1920. The vote consisted of a couple of "yes-es," a few "probably-s" and one or two "mights." In other words, the sentiment indicated that those present would not buy stocks, because they believed that stocks could or might be bought cheaper in the near future.

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THE mental attitude of the great public agrees with the consensus of opinion of those who were present at the conference. Almost invariably toward the end of a readjustment period, I find an increasing bearish sentiment. The long decline of prices, the financial straits of investors, speculators and business men, the unfavorable facts that stare one in the face at every turn, have an overwhelming effect upon sentiment, and nothing but similar experiences, and many of them, will generate the foresight and the courage to take a bullish position under such conditions.

Nevertheless, I believe it is time to buy stocks, for if one does not purchase during times of depression, he certainly will have to pay higher prices when conditions improve.

It is not quite clear just when they will improve. There has been some betterment in certain lines, but we are still in that period when dividend cuts and passings are reflecting the seriously depressed commercial, transportation, mining and agricultural conditions, and even the strongest corporations are being more or less affected.

However, the stock market does not wait for industry to get on its feet, because the prices of stocks reflect not only what you and I know, or think we know, but what the great majority who buy and sell securities think of the future. It would be absurd to believe that the earnings of U. S. Steel common, for example, must double before the stock can rise to par; U. S. Steel will sell at par when the buyers outnumber the sellers in the number of shares they are willing to take at prices up to par. Therefore, this is a fair question: Would any investor or speculator buy U. S. Steel common if, looking ahead, he believed that earnings would continue to decline? The investment buying of U. S. Steel common, which is proceeding steadily, must mean that the purchasers believe in the future of our business institutions, and particularly of the great corporation, the action of whose stock is a better indicator of the future course of the security market than any other single issue.

Study the average prices of stocks and you will find, following December, that the March and April figures did not recede, which means that in spite of all the business prostration, the passing of dividends, and the hundreds of other unfavorable developments of the past five months, the market refused to register anything worse than occurred in December. The prices of stocks have therefore expressed themselves to

those who are able to interpret their movements, and that expression is clear and distinct.

The market says it is going up.

In October, 1919, when prices, earnings, dividends and prospects were soaring, when the few bears were looked upon with suspicion, you seldom heard any other kind of talk than "bull." Now with prices down to panic levels, you seldom hear anything but "bear." That is the way of Wall Street. They grow so intensely one thing or the other down here, that they cannot see the forest for the trees. The pendulum always swings too far in one direction or the other. It appears to have swung too far downward, and the up-swing is already under way.

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THERE are a number of important factors which should be taken into consideration at this time. First of all, we have a business administration in Washington. We have at the head of our government a man of broad experience in business affairs. Not since the days of McKinley, and that is twenty years ago, has a man of the Harding type occupied the White House. We have had some great Americans, but not a single Great American Business Man in all these years. That should be the foundation stone of confidence in the business future of this country.

Next we must consider that this bear market has run for seventeen months. This is six months more than the bears normally have their sway. Stocks are thoroughly liquidated. (It has been said so often that I almost hate to repeat it.) Wall Street loans are down to a minimum. The short interest is tremendous, very active and very aggressive. The market will be well on its way upward before this element will consider itself defeated.

Transfer books of many leading corporations show that there is a persistent demand from investors who are buying small and large lots of stocks, transferring them to their own names, and putting them away. This absorption of the floating supply is in itself an assurance of higher prices before long.

The railroad situation has taken a turn for the better since the announcement of the Labor Board that all wage adjustments are to be taken up by the individual roads with their own employees. Simultaneously, the action of the leading railroad stocks shows improvement and an increasing number are finding strong buyers at present record low levels.

Heavy importations of gold are placing this country in an impregnable financial position. We now have most of the gold in the world. For the first time in two years, to quote a high but confidential authority, "The banking position is satisfactory." Easier money should follow in the natural course of events. Perhaps not right away, but sooner or later.

Lower rates for commercial paper and time loans will inevitably lead to higher prices for investment securities. Money rates and investment security prices do and must play see-saw with each other, and any relaxation in rates will produce a prompt response in market prices of securities; for when money cannot be employed in one channel, it flows into the other. It always has and it always will. Nothing can stop it.

And that reminds me that the last bear market is the only one which has never been followed by a bull market. Does any one of my readers believe that this will be an exception?

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YOU may claim that there can be no permanent improvement in conditions until the German reparation settlement is accomplished; but this situation will turn when it is apparent to the world that the uncertainty is removed. It is not how much Germany will or can pay, but whether she will pay at all. In the light of recent German communications, there is no question as to the German attitude, but how much the Allies can collect and how they will collect it, is another thing. Suffice it to say that some certain sum will be collected and that the crisis in this matter is a question of hours, not of weeks. The bears would have us believe that the last dollar must be collected and in the bank at Paris before an improvement will set in.

The Administration is committed to a change in the tax burden. How this will be accomplished we cannot say, but indications are definite that this great obstacle to business revival will shortly be disposed of; therefore corporations and business men will be enabled to realize substantial profits at a much lower prcie level and on a smaller volume of business. One of the ways in which our government can cut down its budget will probably be the refunding of its obligations, so that the maturities of the next few years will be spread over a long period; thus the next generation can help pay for making the world "safe for democracy."

It is true that many industries are still prostrated; that many commodities are selling below the cost of production; that millions of men are idle; that it will take the rest of 1921 or longer to repair the damage of 1920, but those who are to benefit by changes in security prices must look forward—not backward; upward—not downward. The world moves and we are all the while moving toward better conditions—not worse.

One should not even hesitate to buy the best railroad stocks, for the railroads have evidently passed the worst period of their history; hence most of them will survive. Conditions are changing so that they will soon emerge into a more favorable position after fifteen years of difficulties.

The above are some of the reasons why not only bonds, preferred stocks and other investment securities have seen their lowest prices, but why the common shares of sound industrial, mining, automobile, petroleum, steel, public utility, and other classes of securities, have seen their worst and should be bought.

Richard D. Wyckoff.

What Is the Stock Exchange For?

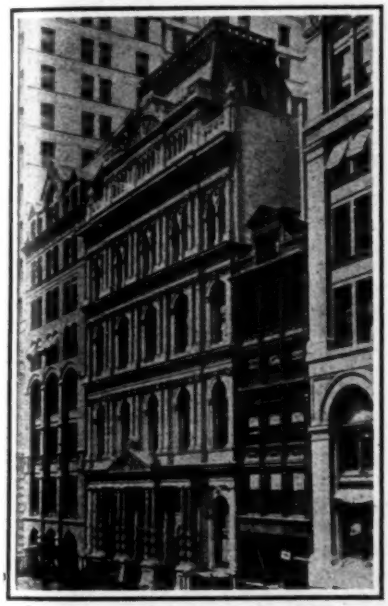
A Review of Its Growth—How and Why It Came Into Being—Importance of Maintaining a "Free and Open Market"

By **J. EDWARD MEEKER, M. A.**

Economist to the Committee on Library, New York Stock Exchange

THE sudden and tremendous growth of American Industry has caused us to lay a very heavy emphasis upon specialization, and the specialist in business. So complex and so technical have practically all lines of modern business in fact become, that this constant trend toward specialization has been both natural and inevitable. And yet, after all, there is always the attendant danger that we may specialize too much—that in gaining a complete knowledge of some single special phase or department of business, we may fail to understand the broad background of all business—that, in other words, we may fail to see the forest on account of the trees.

We are all of us only too apt to care little about the other fellow's job, and to make no particular effort to understand it. Misunderstandings and prejudices consequently arise within the business world itself, which are apt to make us work at cross purposes with one another, and thus waste both time and energy. This lack of mutual understanding in American business is particularly deplorable in the face of the wild and revolutionary economic theories which are sweeping over the world today. **The time has therefore come, when in our common interest, all patriotic and far-sighted American business men must stand together, work together, and fight shoulder to shoulder together against the lengthening crimson shadow of anarchy and revolution which today is coming out of Russia.**



THE N. Y. STOCK EXCHANGE

on the left the old home of the "Big Board"—at the right the new building as it will look when the new corner addition is completed

To do this—to bring about a greater harmony and economy of effort in our business life—we must all study the other fellow's job—not to "butt into" it, not to interfere with it, nor with any easy assumption that we could really do his work much better than he is doing it, if we only had the time—but in order that in one common interest we may co-operate with him honestly and effectively to solve the problems which he is facing.

Now, there are two chief classes of business men—the producers and the distributors—who have never really understood each other. The quarrels and contentions between the shop and the market place run far back into history. And the worst part of this venerable lack of understanding is that both our shops and our market places have become such complicated and technical affairs that it is harder today than ever before for either of them to understand the other.

As a prominent manufacturer once said to me, "We manufacturers list our stock on the Stock Exchange, and you fellows put them up and put them down, and we don't understand it all." Many manufacturers, I imagine, are frankly puzzled in this same way at the occasional gyrations of their stocks on the Stock Exchange; and their habitual assumption that somehow or other the Stock Exchange itself must be responsible for them, is a fallacy as natural as it is erroneous. On the other hand, the intense stress and strain under which most men live in Wall Street, has made them only too apt, if not to disregard the problems of industry, at least to have only a very hazy and limited conception of them. But more and more we are all coming to see that for our common advantage we must make a greater effort to understand each other's problems in the future. And so I wish to take advantage of this opportunity to say a few words about market places generally, about security markets in particular, and about the mutual relationship and interdependence of security markets and industry.

Organized Markets an Ancient Practice

It is one of the oldest and most fundamental instincts of mankind to organize market places for the sale of its producers' goods. Even in darkest Africa, natives who still live in a state of savagery, are nevertheless accustomed to organize market places, where the buyers and sellers among them can barter their simple products of the chase and the fields. Most of the chief cities of both ancient and modern times were located and grew into power because of their ability to serve as market places for goods. Perhaps the most famous spot in the ancient world was the Roman forum. For half a thousand years the whole civilized world was ruled from this spot. But long before there was any Roman empire—while the Romans were still only a small and struggling people, this forum had been a market place for cattle. Long before the dawn of history, the Campanian peasant drove his herds into what was later destined to be the political center of the world, to sell them to the buyers who also collected there. And here, at least to my mind, is the most remarkable thing about the great forum of Rome. Centuries have passed since the fall of the Roman empire. The forum today is a bare and desolate spot of shattered masonry and broken columns. The Roman people itself as a racial unit has practically ceased to exist. And yet, even today, the forum is still a cattle market—the *campo vacchino* they call it now—into which the Italian peasants still drive their cattle from the Campagnia to sell. And so this spot between the seven hills of Rome, which started as a cattle market, then became the political center of the world, and finally reverted to be a cattle market again, affords a striking illustration of how fundamental and how permanent market places are to mankind.

During the past century, the huge increases in our agricultural and industrial

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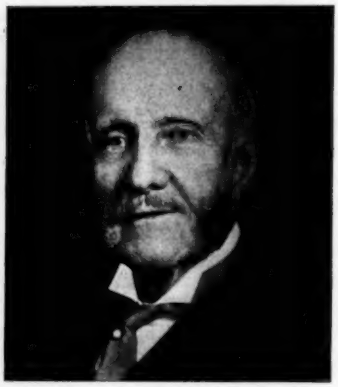
A Causerie with Wall Street Veterans

Partners in Large Brokerage Houses Discuss Phases of Business Which Interest Them Most

In playing the role of an itinerant interrogation point it befell me to visit the high priests of money and exchange in their Wall Street temples. Would there were space in this Magazine so that all the sage philosophy garnered in these peripatetic visitations might be set down. Let us narrow the scope to four of them and begin with the veterans in whom knowledge has merged into wisdom, and whose somewhat statistical souls have been softened by the alchemy wrought of years of panics and wars,—of trials and triumphs.—William McMahon.

Henry Clews Advises Investors

MR. CLEWS is the "Dean of Wall Street.". In spite of his advanced age his grasp of affairs is keen and thorough. Bearing in mind what he once wrote, that everyone, to some degree, is a speculator, I asked for some rules and suggestions for the benefit



of the operator on the market. Said he:

"No rules are infallible. **Study conditions and influences.** These influences are internal and external. In the former you have the action of cliques—the designs of large operators—combinations and corners. Externally you have to study industries, crops, transportation, imports and exports, the attitude of foreign markets towards American securities and vice versa, movement of the precious metals, currency, the uniform swings, labor conditions, inventions, and political matters affecting all the countries of the world.

"Second, **do not operate on the market at times when it is so evenly balanced between opposing forces that there is no chance of making profits.** At such times operators get disgusted at the sluggishness of the market and change their holdings from day to day with no advantage except to the broker.

"Third, **do not always operate in the same direction.** Don't let your constitutional bent interfere with your judgment. Don't operate as an optimist or as a pessimist. Don't be a bull, or a bear, in season and out of season. The fellow who follows his disposition instead of the course of the market will go bankrupt.

"Fourth, **abide your time.** Don't think that you have to play continuously. Wait until your train comes along and board it. Maintain a fair margin and keep out of the bucket shops.

"Fifth, **avoid one-sided knowledge,** and when you want real information go to experts for it. Advice that is worth anything is worth paying for, for free advice is only tips. Above all, do not take a pound of assumption with an ounce of fact.

"Sixth, **don't follow wild rumors.** Some years ago a man gave me an order to buy a thousand shares of Erie without limit. The order was executed at 94. I had no sooner bought it than the stock went down.

"My customer returned in a short time and ordered the stock to be sold. It was then 92½. Half an hour afterwards he returned and ordered it bought back without any limit as before. It was bought back at 95. After consulting with other friends for some time, he ordered it sold again. The market by that time was 90.

"He then came back the fifth time and said, 'I first saw one man who told me to buy and then another who told me to sell. I understand one is called a bull and the other a bear. **About these names I don't know much, but I do know that I am a—jackass.'**"

How John Muir Would Safeguard the Public

JOHN MUIR is known on the Street as the father of the Partial Payment Plan. Also he is always in the van of campaigns of thrift. Thrift and the partial payment plan of investing money dovetail together. But let Mr. Muir have the floor:

"Since the beginning of the war and during the distribution of the Liberty Loan bonds, a new thrift class has arisen in this country, bigger, broader, more potential and more ambitious than any thrift class ever before in existence in any country. The education was forced upon them. They were compelled to buy Liberty Bonds. They immediately sold them at a sacrifice. They were the vehicle upon which Liberty Bonds were broadly distributed throughout the country.

"Like Hamlet's thrift, the funeral baked meats of the Liberty Bond did coldly furnish forth the new thrift table, but they had tasted thrift and it grew. It is now rampant and gratification of thrift is everywhere sought.

"The reaction against overspending, and the desire to save is so great that fakers are seizing the opportunity to mulct the public by interesting the people in securities of questionable character.

"A number of highly reputable firms and corporations have quite properly seized the occasion to recommend Liberty Bonds and investment securities of the highest character. Helped by the response generated through reputable agencies and responsible newspaper advertisements, promotors of the type who only a little while ago were selling uncertain stocks, have assumed the mantle of thrift. They are urging through the mails and by personal solicitation the placing of the people's hard-earned cash in 'securities' which are of anything but investment calibre.

"What is the remedy to meet, safeguard and encourage this great thrift demand? A Government Thrift Bond —a Government Thrift Bond which will satisfy and maintain a parity of assurance and return.

"The government, through its sinking fund operations, has been buying Liberty Bonds at low prices. It is possible now to purchase bonds which had sold at par for $85. This is $10 below the price at which thousands of

small Liberty Bond original subscribers sacrificed their first subscriptions, the loss upon which they cheerfully contributed to patriotism. At that time

flotation of bonds for the country's need was forced. At this time purchase of bonds for the thrifter's want is eagerly sought.

"Should not the government now furnish and protect, not only to encourage thrift but to guard and recompense those who subscribed and lost? **The spectacle of our government bonds selling so far below par is a discredit to our national self-respect and a source of uneasiness in the minds of the people.**

"It is one of the features in the general economic situation which is holding back our forward progress and engendering skepticism at a time when we need courage and confidence everywhere.

"But every plan of thrift which has been worked out in good faith for the benefit of the people, is soon taken up by irresponsible brokers and bucketeers, and abused. I appreciated your article in the last issue of your Magazine on the abuse of the partial payment plan by irresponsible parties.

"These brokers take up everything and twist it to their advantage. They remind me of a circumstance that happened in England. A firm of shady outside London brokers was prosecuted for swindling. In acquitting them, the court, with great severity, said:

"'There is not sufficient evidence to convict you, but if any one wishes to know my opinion of you I hope they will refer to me.'

"Next day the firm's advertisement appeared in every available medium with the following, well displayed,—'Reference as to probity, by special permission, the Lord Chief Justice of England.'"

B. H. Ettelson Analyzes Wall Street

MR. B. H. ETTELSON, partner in Thomson & McKinnon, has been a student of Wall Street affairs for well over twenty years. His firm is one of the largest wire houses in the United States. To our readers Mr. Ettelson has this to say:

"The exchange—the world's market place, has been the subject of discussion as often as the tariff. The modern exchange typified by the New York Stock Exchange, the New York Cotton Exchange and the Chicago Board of Trade, has repeatedly demonstrated its usefulness, and as frequently called upon to defend its right to existence. Time, recognized as a determining factor in establishing a title, has given the exchange a fixed place in the commercial world.

"Our exchanges have adopted, for the guidance of their members, the highest standard of commercial ethics, exercise scrupulous care in the selection of members, and are constantly alert in the enforcement of rules. Each of these exchanges has grown in importance to such an extent, that reports of its transactions are eagerly awaited in every civilized country of the world. Values established on the exchange are accepted as world values, because the entire commercial world participates in the business, and values represent the composite judgment of all.

"The growth of the business on the exchange, the increasing public interest, the public demand for rapid service, has resulted in the development of the private wire system—a service that is unique and has become a national necessity. The private wire has served the very useful purpose of bringing the commercial interests of this country into closer contact. The banker, the merchant, the farmer share in the benefits of this service. The private wire has resulted in the creation of a distinctive and highly specialized branch of the brokerage business. The great expansion in this branch of the business has in turn necessitated the development of an efficient army of men. The efficiency has reached a degree of perfection, enabling an individual a thousand miles distant to have an order executed on any of the great exchanges in a space of time measured by seconds.

"The most recent extension of the private wire to Havana, Cuba, necessitating a connection of the land wires and an ocean cable, permitting direct service between New York and Havana without the necessity of a relay, marks the farthest development in this business.

"The private wire system, while primarily intended for the transmission of orders and reports, serves incidentally as a great educational agency. Important news is flashed over the sys-

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What the World Needs—By David A. Boody

MR. DAVID A. BOODY, of the firm of Boody & McClellan, started his business 58 years ago and has seen many changes in the drama of life and business.

"Speaking generally," I asked, "what is the most necessary thing for the people of this country to do in order to hurry along the good old solid times of yore?"

Said Mr. Boody, very decisively, "Get a League of Nations. That is the vital thing now and every one who is posted knows it. **The world cannot get along without it, and those who so bitterly opposed the Wilson League are now able, most of them, to see the unwisdom of their course.** Every one admits now that the whole world is irrevocably knitted together. The Stock Exchange reflects the situation not only here but in all the countries of the world. There can be no stability here until the world is stable everywhere.

"So far we have pursued a suspicious, furtive and selfish policy. Governments, like people, should live up to their privileges and the greatest privilege of a government is to do right. The League of Nations is based upon moral ground and every policy that has stood upon moral ground has not only helped the world morally, but materially as well. It pays in dollars and cents to do right.

"We have been skulking and whispering behind a barricade of statistics and setting up platitudinous postulates long enough. We must realize that we are a part of the world. We cannot prosper while other nations go to ruin. Modern inventions have fixed things so that the farthest outposts are suburbs to the great centers of civilization. Therefore, civilization as a whole must advance or go back together.

"The people of this country cannot afford to be narrow,—cannot afford to get excited over race or color,—cannot afford to be prejudiced against those who speak other languages and worship other gods. Men drew the lines of national boundaries, but God made the world.

"The world is not suffering so much from economic errors as from moral miasma,—not so much from want of data as from want of courage. Fear and suspicion build armaments, kill commerce and impoverish the people.

"Those who feel the situation most keenly and who stand opposed to an association of nations, are standing in the way of progress and of their own fortune. We are proving day by day that the wisdom of events is greater than the wisdom of men."

Bucking and Being Bunked by the Bucketeers

The Breed Still Thrives—Their Uncanny Ability to Separate a Man from His Pocketbook—Some Notes from the Writer's Memoirs

By **HARVEY HARDING HARDY**

IN his "Soliloquy of the Spanish Cloister," Robert Browning tells us that there is in Galatians a great text which entails twenty-nine distinct damnations, any one of which is fatal if another fails. Now, my knowledge of Galatians is limited and I don't know just what these twenty-nine curses are which Paul, the

apostle and Roman citizen, predicted for the dwellers in Galatia, but I doubt if they were more deadly and effective than the twenty-nine-plus afflictions which fall inevitably and invariably upon those who, seeking to get something for nothing, place their faith and their money in bucket-shops.

There are many who speak of bucket-shops in the past tense—as though of something as extinct as the Prince Albert coat or the lengthy skirt. They may be right and I may be wrong in using the term bucket-shop; but, to an old-timer, a broker who executes in the open market none or only a small percentage of his customers' orders is a bucketeer. In the good old days, after the Spanish war and before the income tax, it was known as "writing 'em on your cuff." And in those days cuffs were detachable. Isn't it nice that such rough-neck days have passed into history? Well, it might be if today many so-called "brokerage" houses were not conducting their businesses along exactly the same lines as the much-imprecated, old-fashioned, unadulterated bucket-shops of days gone by.

Before Pussyfoot's Time

Before the boys with weak stomachs got busy and proved to our legislators that nature's laws of fermentation are all wrong and that alcohol is anathema to the human race, there was a place of business on Broad Street where one might buy a lunch, a drink, or a few shares of stock at a long mahogany bar. Supposing one craved physical refreshment and spiritual excitation. The method of satisfying these desires was simple, the transaction was easily consummated. One simply gave Gus, the bar-keep, $1.05 and called for one beer and one Reading. Then one shuffled over to the ticker in the northeast corner of the room, drank the beer, and awaited results. Twenty-five cents was the commission charge, so if Reading declined three-fourths of a point one's account was automatically closed and that vision of a racing stable and a yacht grew dim and misty.

One afternoon, fifteen or twenty minutes before the market's close Dave Vroom walked over to the bar, slapped down three dollars, and announced he would take on one Reading, one Soup and one Onion. Just before closing time the market sagged off; Reading, Southern Pacific and Union Pacific all broke about a point. Dave left the ticker and walked over to get sympathy from Gus with this squawk, "I knew it. They just waited for me to get in and then they pulled the plug. Hard luck sure does follow me around, Gus." Now Gus had listened to too many squeals to be overly susceptible to another's woe, so he comes back, "You big boob. Whad'ye expect when you over-trade like that and spread yourself all over the board?"

That is a picture of the old-fashioned, unpolished bucket-shop. Its customers did not delude themselves as to the character of the place in which they made their bets—pardon me, trades. Gus and his boss did not deceive them by claiming to support "statistical departments" for their benefit. The game was played on top of the table; the customer hoped to trim the "broker," who in turn openly wished his customer hard luck and plenty of it. No hypocritical advice was given or received and the trader had a 37½% chance of winning. But as Caruso or Cicero or some other Roman remarked, "O Tempora! O Mores!" How the times have changed, my countrymen!

The Customer's Chance Today

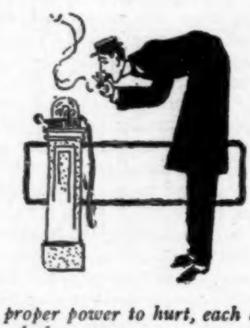
It is my well-founded opinion that today the customers of the bucketeers have not a 7½% chance of breaking even. Should a customer's account, because of his good judgment and phenomenal luck show a profit, he is switched into a spurious Curb security by means of daily phone calls, and daily and weekly market letters. The law of cause and effect, nor even death itself, is more certain and sure than that a speculator who places his money with these pirates is investing in large blocks of M. A. & D.—Misery, Anguish and Despair.

Over a period of years I have talked with dozens, maybe hundreds, of the victims of these cleaning establishments, and one thing only had been left to any of them—a wondering admiration for the deftness and despatch with which they had been cleansed of what Saint Paul called "filthy lucre." Any one of them might have passed through the scriptural needle's eye without scraping, but not without knocking. Most of them knock Wall Street and all its works, and become the everlasting enemies of investments of every description. That is the greatest power for evil of the dishonest broker.

And don't suppose for one little moment that this game attracts as fall-guys only the Saps and Yaps. It catches many of all the species, the Bull, the Bear, the Jew, the Gentile as well as the Jackass; and, strange as it may seem, they all become as gentle lambs in the hands of the shearing bucketeers. They emit feeble bleats and half-hearted threats, and—go home and order their wives to start rooming houses or look for jobs.

Was Mr. Pope Wrong?

May it not be that Pope was wrong when he opined,



"Its proper power to hurt, each creature feels;
Bulls aim their horns, and asses lift their heels."

He should have added that a coyote puts it all over either of them. Long years have I waited, watched and hoped to see the skulkers rip a section of hide from the wrong jackass, with the result that the jack will let out a bray which may be heard in Albany, and then proceed to dust off his heels to such effect that the kickee will be laid up in Sing Sing or Atlanta for repairs.

My watching and hoping for some other jackass to do it having been in vain, I am doing a little braying on my own account; and, after all, I know of none who has played the part of a jack longer and with more realism than I. Were I to remove my hat it is doubtful that my own father could pick me out from a flock of the long-eared hee-haws. However, I didn't start to write an autobiography.

It may be of interest to inquire into the methods of these latter-day cuff-artists. I have in mind one who started in the brokerage business six or eight years ago. He learned his trade as a waiter in one of the notorious beer-gardens of the upper East Side, a place where a waiter made his living by short-changing, or picking the pockets of his bemused and besotted customers. A wonderful training for the line of business which now engages him. The same talents which distinguished and gained him

success as a waiter have served to enrich him in the financial field.

Human nature is much the same, whether exhibited in a beer-garden or in a broker's office, and one who has studied psychology in the former place finds it not difficult to take advantage of human weaknesses in his brokerage business. To one who has given the matter little thought it may seem a mystery how so many sane people are mulcted by this class of brokers. The fact is that the broker has to make but a small effort to mulct any of his clients. They trim themselves by their own unbridled greed. **The success of the bucketeer hinges upon his ability to induce his customers to over-trade, and in most cases that is the easiest thing what is.**

For Instance—

For instance, a friend of mine left his practice as a physician in a small city in Ohio, (not Cleveland) and went to war. Upon his return he stopped in New York to visit and recreate. Just at that time Ohio Cities Gas declared a stock dividend, and, as the doctor owned some of the stock, he sought a broker to sell the rights. It was in February of 1919, just at the start of the big bull-market. Watching the quotation board where prices were being marked up higher and higher my doctor friend began to ache to do a little gambling. He bought Texas Company's stock and it went up ten points in less than an hour. Why this was easy money; A pipe! No wonder these bankers are all millionaires! Such was the beginning.

"Great is the art of beginning, but greater the art is of ending." Before the middle of March, Doc had over five thousand dollars profit, and I asked him why he didn't take it and quit. He said that when it grew to ten thousand he would. In July he had forty thousand and was going strong. That was the time his broker slipped him some "inside information" on National Conduit at 20 and Boone Oil at 12. It's useless to keep the supposed-to-be-good reader in suspense. The August break wiped out all the doctor's profits and left him over three thousand in the hole. Great is the bucketeer, but greater are his profits. Don't imagine that this doctor was any less bright than you are, and that he was anybody's fool. In his own line he had made for several years not less than a thousand dollars a month. He simply sat in the wrong game. He would have met with greater success had he stuck to his line, and spent the time he wasted in Wall Street, trying to make glass eyes that would cause the blind to see.

As this is being written, there is talk in Albany of investigating the firms who are suspected of betting that their clients are always wrong. It will take considerable auditing to discover the bucket in some of the shops. Dummy accounts are carried and often confirmations are passed from firm to firm on transactions which are never made. I know a broker who for many months gave faked confirmations to an at-the-time friendly competitor. About a year ago this broker went broke in Keystone Tire and the competitor whom he had favored sued him on a note which had been given to cover a phoney deal. When the angel Gabriel comes to blow his trumpet and announce that the Day of Judgment is at hand, he would do well to see to it that his horn is made of no precious metal. Otherwise one of the brothers on the Street will have the horn and Gabriel will have the experience.

During the Spring and Summer of 1919, I expectantly stood on first one foot and then another—my own I mean, I am not speaking of the subway—waiting hopefully for the sustained rising market to enrich the customers sufficiently to break a few of these hard-boiled bucketeers. From time to time rumors traveled around the street that the day-of-reckoning for one or more was close at hand, the sword of Justice was suspended by a hair. That nothing so mirthful happened, and my prayers remained unanswered, is only another proof of the unbeatableness of the bucket shop game. Here was one of the greatest markets that the Street ever had seen. Day after day, week after week, prices rose and rose again. In the legitimate houses many traders made large fortunes, but it is certain that no speculator made much of a fortune in the bucket-shops. That is an assertion that calls for no proof. A client making a killing would have broken, *sine qua non*, the shop. (In parenthesis, don't you think that a little Latin now and then improves a thesis on the bucket-shop?)

Biblical and profane histories tell us

THE MODERN SIREN

of many surprisingly wonderful and miraculous deeds performed by marvelous supermen, but I never have heard that Napoleon, or Julius Caesar, or Michael Angelo Buonarotti, or Theodore Roosevelt ever was able to beat a bucket-shop. Joshua, who it is said caused the sun to pause in its flight, might have a chance were he with us; but I would be willing to lay him 3 to 1 that in six months trading in a B. S. he could break no better than even.

Making the sun to stand still compares with beating the unbeatables as winning the late war compares with winning an argument with the wife. Which is, in the light of cold facts, no comparison at all as the latter feat has never been accomplished. Were I the Sage of Hackensack, I would prophesy that in the Spring following the year which sees a beautiful woman convicted by a male jury some husband, somewhere, will be on the winning side in a debate with his better nine-tenths.

After which intermezzo we will return to the consideration of the bucketeer, his works and his ideals. Now, there's something to ponder over and cogitate on—the ideals and visions of a quasi-broker.

Were one of them to imagine a picture of Utopia, I think he would see himself as the proprietor of the only broker's office in the financial district of the Perfect City. When he opened his office on Monday morning John D., Charles Schwab, Barney Baruch, Jesse Livermore, and all of J. P. Morgan's partners would be lined up waiting to put up as margin all their cash, and, in addition, their notes for all they expected to get in this and the future life. This little matter properly attended to, the whole crowd would order "at the market" all the stocks which the broker's "statistical department" was kind enough to recommend.

I'll leave it to any of the bucketeers if heaven itself could offer anything more enthralling. Dummy accounts would flourish as the green-bay tree, stock certificates would be chimeras that never were, balance sheets would play see-saw, surpluses would be as evanescent as the morning mists, and all accounts would be kept on the sands of the sea at low water mark. Any of the customers craving excitement after the market's close might be accommodated in the private office where the boss would be allowed to roll loaded dice and make his bets with counterfeit money.

It is best that this description cease right now, or some of the dear ones—they cost their customers dear—will be looking upon me as another Swedenborg who has glimpsed the only true heaven. And, really, I don't feel fitted to become the Grand Exalted Insect of a new religious sect.

A Remarkable Prophecy

In early February of this year the market letter of a firm, whose reputation is small but whose mailing list is large, made the astonishing prediction that the stock market would be at its low on February 17 at 2 P. M. All customers were urgently invited to mail and wire their orders, reading "at the market," for all the stocks which they could carry. Here was the opportunity the investor so long

(*Continued on page* 937)

NEW PROSPERITY via FOREIGN TRADE

Official Government approved articles on the

FINANCIAL, INDUSTRIAL and ECONOMIC CONDITIONS

as existing in

ENGLAND	BELGIAN	GREECE	BRAZIL
FRANCE	NORWAY	ROUMANIA	CHILE
ITALY	SWEDEN	JAPAN	ARGENTINA
SPAIN	DENMARK	CHINA	PERU

Told by the Ambassadors, Ministers or the accredited representative of each country — Exclusively for the Magazine of Wall Street.

SWEDEN

Her War Experience and Her Present Condition — Country's Financial Strength—Effect of Price Slump on Individual Industries

Editor's Note:—The material presented in this article was prepared for us from official figures supplied by the Swedish Government. The article is the fifth of our "New Prosperity" series dealing with the economic, financial and industrial positions of the countries of the world.

I.—THE GENERAL ECONOMIC SITUATION

How Imports Were Stimulated by High Prices—Central Europe's Purchasing Power Over-rated

THE great economic depression which started in the U. S. A. and in Great Britain in April and May last year can hardly be said to have reached Sweden until September, 1920. The transition in Sweden, however, was much more distinct and the decline in prices unexpectedly strong. This was no doubt due partly to the high level of prices in Sweden, but it was also due to the fact that some of the elements causing the crisis had prevailed previously. The price level has dropped from index number 365 in August, 1920, to 299 in December of the same year, and 267 in January, 1921. (The pre-war prices, 1913-1914, are designated index 100.) The Swedish price level is still considered about 50% above the American and 30% above the British price level. The big drop in wholesale prices did not affect the retail prices till much later; neither were the retail prices reduced proportionately. The index showing the increase in the cost of living since 1913, which on October 1, 1920, was 281, had only decreased to 271 in January of this year (1913 equal to 100). The retail prices have, however, during the month of February shown a considerable reduction, owing to special measures taken with this end in view.

The high level of prices in Sweden had the effect of stimulating imports and curtailing exports. The exchange value of foreign currency—all of which except the American dollar, the Dutch florin and the Swiss franc, have sold at a discount since April, 1919—had the same effect. The excess of imports over exports increased to an alarming extent during 1919 and the first months of 1920. The peak was reached in February, 1920, when this excess amounted to not less than 176 million kroner. The monthly excess of imports has since steadily diminished and was, in December, 1920, only 25 million kroner. To begin with, however, the equalization process was due, rather to increased exports than to a decrease in imports. It is only during the last quarter of 1920 that imports have decreased. The tremendous imports from the U. S. A. fell off somewhat earlier, due mainly to the high rate of exchange on the American dollar, which, at the beginning of 1920, was 4.70 kroner=one dollar—this being 26 per cent above normal—and, on February 5, 1920, the highest point was reached with 5.70 kroner for one dollar, or 53 per cent above normal (normal rate of exchange 3.73 kroner=$1.). The rate of exchange dropped later on, but rose again towards the end of 1920, when the dollar was quoted at 5.02 kroner, or 35 per cent above normal.

Precarious commercial and economic conditions have been the rule rather than the exception all over the world for about a year. Curtailment of industrial activities, unemployment, overstocked markets, scarcity of ready cash and credits, enormously high taxes, are experienced in all countries, causing an almost unprecedented depression. The depression in Sweden is due partly to identical causes and partly to certain specific conditions. Particular mention should be made of the erroneous calculations regarding the purchasing power of Central and Eastern Europe, which calculations were the main factors in encouraging over-production with resulting forced sales, especially in the textile industry. Sweden, which had already shown a marked increase in imports, was absolutely swamped with foreign products at falling prices. Its industry and commerce were affected by the change in world conditions, as quite large stocks of raw material, as well as of partly and wholly manufactured articles, had been purchased at considerably higher prices.

Photo Brown Bros.

THE PARLIAMENT BUILDINGS

Sweden is a limited monarchy and the national debt until 1855 was practically nothing, and the debt contracted thereafter owes its existence almost wholly to railway construction

Of the special conditions which aided depression in Sweden, the high price level and the situation of the foreign exchange market have been mentioned above. The high level of prices, with resultant increased living costs, forced wages in Sweden to a point several times as high as in certain other countries. This is true especially as regards countries with greatly depreciated currency; in the first place Germany. The tremendous difference between the domestic value and the value in foreign countries of the currency of these countries permitted competition at prices which, according to Swedish conditions, are exceptionally low. Since Germany became able to resume her production and export of various commodities—especially metals, machinery and textiles—this export has, owing to the exchange situation, been directed to Sweden to a large extent, thereby placing corresponding Swedish industries in a very precarious position. Denmark, too, has shipped a large part of her surplus commodities to Sweden. The high exchange value of the Swedish krone has thus made it possible to lessen, if not to wipe out altogether the losses usually entailed in forced sales. Furthermore, it should be pointed out that the price discriminating policies practiced in certain countries have increased considerably the prices of raw material and fuel needed by Swedish industries, consequently lessening the competitive capacity of these industries.

The industrial situation seems, however, to be brighter, as prices for raw material and fuel have been declining and several industries have succeeded in putting through material reductions in wages.

II.—THE SITUATION IN MORE IMPORTANT INDUSTRIES

Metal and Machinery Industries First to Suffer—Belgian Glass Dumped on Market—Lumber Industry Least Affected

THE difficulties at the present time experienced by the Swedish industries were first felt in the **metal and machine industries,** as early as in 1919. The depression was particularly acute during the last quarter of 1920. Only about 60 out of Sweden's 120 blast furnaces were kept going during the summer of 1920, and, in December of that year, the number was reduced to 42. Figures show that the production of the iron and steel trade was lower than has been the case for a long time. The export of pig iron and ingots was somewhat larger than during preceding years, but much less than normal. During the latter part of 1920 severe competition has been felt from Germany, which quotes prices on the Swedish markets much lower than the Swedish cost of production. In view of the fact that wages, before the recent reduction, were three times as high, and the cost of labor per ton four times as high as before the war, it is evident that the depression must affect these industries severely. The high cost of labor is most noticeable in the machine and mechanical industries—the competition from Germany in these industries being keenest and the difference between German and Swedish prices largest. It was estimated last January that the number of employees in the mechanical industries had been reduced 10 per cent since October, 1920, and the hours of work an equal percentage. The total curtailment of production should thus amount to about 20 per cent.

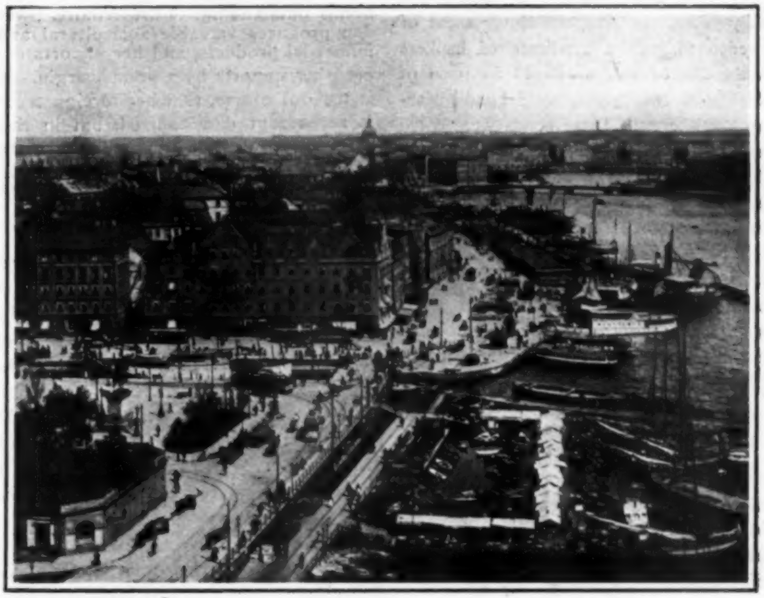


Photo Brown Bros.

STOCKHOLM, "THE VENICE OF THE NORTH"

Is not only the center of government but is the most important industrial city of Sweden, the iron and steel industries are the most important and the imports average nearly 30% of those of the whole country

The glass industry has been placed in a difficult position through the large importation of Belgian window glass at pure dumping prices. All the window glass factories have been forced to close down, and the cut glass factories have reduced their production materially. The import of window glass increased from 1,117 tons in 1919 to 5,096 tons in 1920.

The lumber industry has perhaps felt the present depression less than any other industry. The export, in 1920, amounted to 1,000,550 standards, or about 90,000 standards above 1919. This figure compares favorably with the pre-war figures. England, especially, has made tremendous purchases—65,000 standards above 1919 and over 203,000 standards above 1913. The market is quiet at the present time, but this is no doubt partly due to the season. Several saw mills have closed down or reduced production. Wage reductions of about 20 per cent have been put through to a considerable extent. Logging in the woods has been reduced, and a general reduction of production is not out of the question.

The wood-joinery industry—and especially the furniture industry—is facing a serious situation, owing to the exchange market, import restrictions in certain foreign markets, and diminished building activities.

The paper-pulp industry was not affected by the depression till rather late. The export, during 1920, of cellulose and mechanical pulp was larger than during the preceding year. Cellulose as well as mechanical pulp factories had sold out their entire production at an early date, for which reason curtailment of production was found unnecessary. The mechanical pulp factories are better situated, as the demand for newsprint is still large. The sulfite-cellulose industry is most unfavorably situated, as the demand for sulfite is falling off. The cellulose factories will probably have to reduce their production. The situation is eased by considerable deliveries on old contracts, and because of the absence of stocks on hand, which would further depress the market.

The paper industry, too, was affected by the depression somewhat late, although earlier than the paper-pulp industry. Operation in this industry was curtailed to a considerable extent during the last quarter of 1920, and a large number of machines were shut down. It is estimated that work at the present time is running at about 40 per cent of normal capacity. The newsprint mills are an exception, as they have not yet been compelled to limit their production. The crisis is, however, international. It is only in Germany and Finland that the paper industry is operating at normal capacity,

(*Continued on page* 944)

Swedish Bonds Below Original Price

Only Issue Familiar to American Investors, Brought Out at 99½, Now Selling Around 81—Government's Pre-War Debt "Self-Supporting"—Most Swedish Issues on London Market

By **THOMAS B. PRATT**

UNITED STATES investors are familiar with only one issue of Swedish Government bonds, although there are several sterling issues that have enjoyed an active market in London for many years. In 1919, the Government of Sweden through a syndicate of bankers in the United States offered an issue of $25,000,000 twenty-year gold bonds bearing 6% interest. These bonds were dated June 15, 1919, and are due June 15, 1939. They were issued about one year before the rate of interest for foreign government loans took a decided jump. Just one year after this issue was brought out the Belgium Government had to pay 7½% for money in this country and three months later the French Government came in the market for a $100,000,000 loan at 8%.

Suffered from Higher Money Rates

With the advance in money rates and owing to the competition of equally attractive foreign government loans, the Swedish 6s of 1939 naturally suffered a considerable decline in price. They were originally brought out at 99½ and interest. During 1920 the high price was recorded in January when they sold at 97. They declined steadily during the year and in December sold as low as 76½. The low this year was recorded in January at 78½ and the high so far this year was also in the same month when they sold at 84. At the present time they are quoted at 81@81¼, and their yield is a little over 8½% at this price.

These bonds are redeemable as a whole on June 15, 1929, or on any interest date thereafter at 102 and interest on 60 days' notice. They are a direct obligation of the Swedish Government and are exempt from present and future Swedish government, municipal or other taxes or duties levied by or within the Kingdom of Sweden.

Considering the interest that investors in this country have taken in the sterling issues of many foreign governments and the large blocks of such bonds that have been purchased in London for distribution in the United States, it is surprising that some of the attractive Swedish sterling and kroner bonds have not been brought over. **Virtually the whole of the pre-war debt of Sweden represented expenditures for the construction of railways and other public works, which in normal times are more than self-supporting. The Government receipts from its business undertakings are sufficient to cover the annual charges on the debt, with a comfortable surplus, and the value of state-owned assets is more than double the total of all Government bonds outstanding.** Furthermore, Sweden produces valuable agricultural and industrial products, and her exports exceed her imports by a good margin. It is true, of course, that her foreign trade is at present disorganized, but in this respect her position is not dissimilar to that prevailing in practically every country in the world.

Five London Issues

There are five Swedish Government loans listed on the London Stock Exchange. As indicative of the credit of the Government the high and low record of the 3½% loan of 1880 is interesting. The high during the past ten years was reached in 1917 when these bonds sold up to 130. At the present time they are quoted 85@89, which is exceptionally high for a 3½% bond at the present time. The yield on this issue at present prices is not sufficient to make it attractive to investors in this country, but there are other issues of the Swedish Government that are seasoned securities, that enjoy an active market in London and other centers, and that are now quoted at prices that permit their being brought over here and sold on an attractive yield basis. There is the 3% loan of 1888, for example, that is now selling in London around 50. Interest on this loan is payable in London in sterling, in Stockholm and Copenhagen in kroner, in Paris in francs, and in Berlin, Frankfort and Hamburg in reichmarks. It is redeemable at the option of the Government after at least three months' notice by public advertisement. The issue originally amounted to £1,470,000. A total of £136,465 has been redeemed by purchase. One feature of this issue which would handicap its sale in this country is the denominations in which the bonds are issued. They are coupon bonds of £245, £98 and £49. American investors have become accustomed to £200, £100 and £20 denominations and it is questionable whether odd figures would meet with approval from our investors. This feature also applies to the 3½% state loan of 1890 and to the 3% conversion loan of 1894.

The 3½% State Loan of 1900

The 3½% state loan of 1900 is issued in denominations of £1,000, £500 and £100, with equivalents in francs, kroner and marks. This loan was originally offered at 98% and bore interest at 4% until August, 1910, and since then at 3½%. The loan is payable, free of Swedish taxes, in London in sterling, in Stockholm, Berlin, Hamburg, Paris, in the currency of the country; at Amsterdam at the rate of exchange on London, and in New York. The Swedish National Debt Office undertook not to redeem this loan before August 15, 1920, and it now has the right to redeem it at par subject to three months' notice. This issue is now selling in London at around 58, which at present exchange rates is equivalent to under $500 for a £200 or $1,000 bond. This is an income basis of over 7% with the opportunity for appreciation both in the return of sterling to normal and in the advance of the price of the bonds on the London Stock Exchange. This issue sold in London at 95¼% in 1917 and prior to the war its low was 80½%.

Swedish Government bonds may be registered in the name of the owner at Stockholm free of charge, the coupons remaining payable to bearer, and the holder may interchange them again for coupon bonds by presenting them in Stockholm for that purpose. All of the Government loans are free of Swedish taxes.

Sweden's High Credit Rating

The rating of the Swedish Government has always been extremely high. During the ten-year period from 1904 to 1913 four representative bond issues on the London Stock Exchange sold at average prices to yield 3.78%, and for the same period three representative issues sold on the Paris Bourse at average prices to yield about 3.67%. This high standing is due in large measure to the consistent record the country has shown in its commercial development. The country has considerable natural wealth which is being developed along conservative lines. The principal industries are mining, agriculture, manufacturing, lumbering, fisheries and shipping. There are large iron ore fields in the central and northern parts of the country which contain deposits of the highest grade.

Sweden has extensive water power potentialities which are being developed and utilized for the benefit of the natural resources of the country. The total available supply is estimated at 6,750,000 horsepower, which is greater than the estimated available supply of either France or Italy. The Railway Administration of Sweden has placed before the Riksdag a bill authorizing the appropriation of 26 million kroner for the electrification of the line from Stockholm to Gottenburg, the total cost of which will be about 75 million kroner. It has not yet been announced whether foreign capital will be asked to participate in this financing and the actual work may be postponed until the return of more normal conditions.

Investors in this country have naturally given preference to the 6% issue brought out here, and this issue unquestionably has a high rating and compares favorably with other foreign government issues brought out in the United States.

Money, Banking and Business

What Our Huge Gold Imports Mean

Popular Belief That They Will Lower Money Rates Here Not Well-Founded—Their Effect on Our Foreign Trade—Europe's Job

By E. D. KING

THE gold movement to this country during the past few months has been nothing short of sensational. The present situation resembles very closely the one which prevailed in the early years of the war when the refusal of our banks and exporters to grant credits to European consumers resulted in a great increase in our gold holdings. Fundamentally, the heavy gold movement is the result of the weakened credit position of Europe and other impoverished sections of the globe.

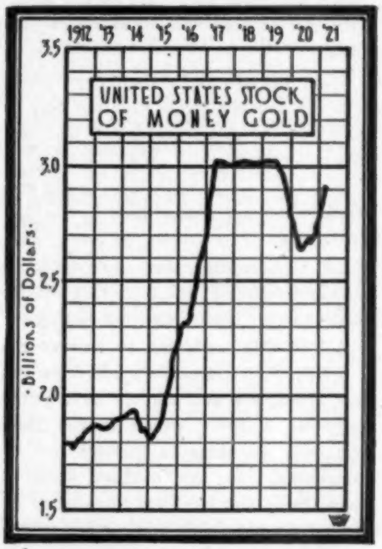
Increasing gold deposits are definitely aiding the banking situation in this country, as evidenced by the mounting Federal Reserve ratio, but the increase is being accomplished at the expense of some of our best customers who are temporarily in a position of financial embarrassment. The United States today may be likened to a wealthy creditor who is refusing to tide impoverished customers over a spell of bad business. With half the world reduced to the necessity of "hocking their valuables" in order to pay us, we are content to stand complacently by. Of course, American exporters cannot wholly be blamed for refusing to risk money in uncertain foreign propositions. Also, as noted above, it may be a great satisfaction to see our Federal Reserve ratio mount steadily. But the development becomes less satisfying when it is realized that it is being accomplished at the cost of Europe's slender gold supplies.

The rush of gold to these shores from Europe and elsewhere is partially the result of our failure in the past to provide adequate credit machinery for the ready sale of our goods abroad. When world business was as good as it was last year and the year before, there was no unwillingness on our part to extend credits abroad; but the recent general slump in business all over the world has made our exporters cautious. They are no longer extending credits freely. The result is that our sales abroad are very uncomfortably on a cash basis.

With foreign trade falling back on the basis of specie payments, there are two possibilities ahead of us: (1) inflation of prices in this country, and (2) further restriction of our foreign trade.

As to Inflation

It is the opinion of careful observers of the financial situation that further additions to our gold holdings may bring about a return of high prices. While such a possibility may be looked upon with satisfaction by those who believe that the present low price level is a barrier to the restoration of prosperity, and that higher prices are essential to any return to a profit-making basis, it is necessary to



recognize that inflation with its attendant evils of excessive speculation and profiteering would inevitably lead up to the same disastrous consequences as those of last year. This is a situation which should be avoided at all costs.

However, the increase in our gold holdings alone will not *ipse facto* lead to inflation of prices. The gold goes directly into the bank vaults and does not act directly on the price movement except insofar as it creates a larger lending power. The larger the amount of gold supplies, the larger the available amount of credit that can be based on those supplies. Gold merely forms the base of the credit pyramid. The question that arises therefore is: Will larger gold supplies induce the powers that be to increase the amount of credit? Unless credit is increased, no matter what the amount of gold in the vaults, there will be no inflation. Free and unrestricted credit leads to increased buying, creates a balance of demand over supply and consequently results in higher prices and speculation in all forms of commercial and business activity.

While the great increase in our gold holdings may theoretically justify the freer extension of credit facilities, this would simply result in piling up a mass of new credits on top of our already large outstanding credits. The volume of so-called "frozen" credits is still excessively large and it is difficult to see just how it would help the financial situation to increase this volume. This is a point which is well understood by the banking interests, and it is to be doubted, therefore, that they will allow themselves to be placed in the position of approving an increase in credits

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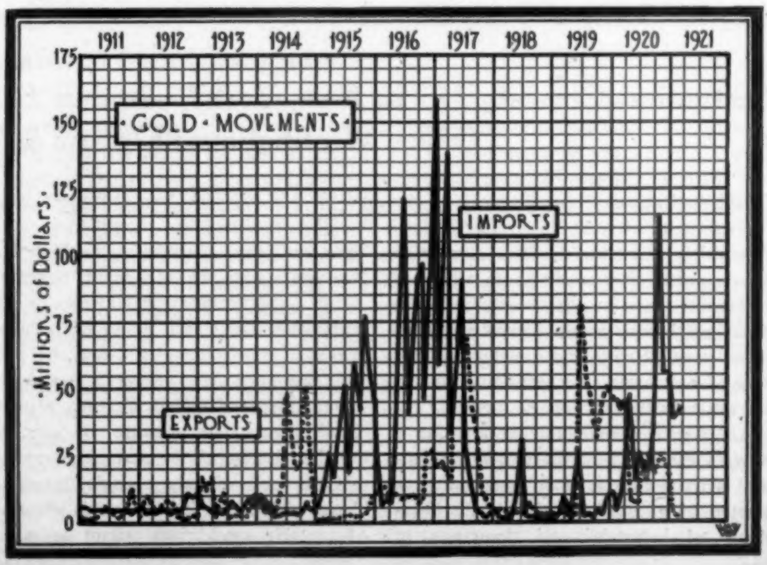


Business Outlook Improves

Five Corporation Heads Outline Views of Future in Special Statements to Our Readers—President of National Cloak and Suit Optimistic

"We Have Seen the Worst"—S. G. Rosenbaum, President National Cloak & Suit Company

IN giving my opinion in regard to business conditions, I wish it understood that I am referring only to the things with which I am familiar. Our company sells by mail direct to the consumer, wearing apparel for men, women, children and infants, certain household articles such as blankets, curtains, etc., and in addition piece goods of all kinds. Practically everything we handle is made of one of four basic commodities—cotton, wool, silk or leather; therefore, in referring to business conditions I have particular reference to goods made from these commodities.

In my opinion the bottom has been very nearly reached on these four commodities for the time being. That does not mean to say that they will not go still lower during the next few years, but they have all had very drastic recessions in price and it would seem that any further recessions must be gradual.

The first of these commodities to have a serious setback was silk. Raw silk was quoted in the New York market early in 1920 as high as $18 a pound. By the end of the year it dropped to less than $5 a pound. The silk business was paralyzed. Of the total silk looms in Paterson and vicinity, only 18% were running in November, 1920, and only 21% in December, 1920. By March, 1921, 49% of these looms were running. Silk has come back. The price of raw silk in the New York market is now about $6.25 per pound, and silk merchants say that business is good. All of the desirable goods which were carried over last year have been disposed of, and even the load of less desirable merchandise has been considerably lightened.

Raw cotton sold at 43c. in July, 1920. The quotation during the past two months has approximated 12c. Print cloths quoted at 26c. eight or ten months ago, can now be had for about 6½c. a yard.

Wool has also had a very sharp decline, although woolen goods have not been reduced in the same proportion that have silk and cotton.

Raw leather has had a very sharp drop. Shoes have not come down in the same proportion. The element of labor, which is still high, explains this. The quotations on shoes, however, for next Fall, are materially lower than they have been.

All of this leads me to believe that most finished materials made from cotton, wool, silk and leather have gotten down to a basis which makes them, relatively speaking, attractive to the consumer. In my opinion some of these basic commodities have gone too low. I do not think that, under present conditions, middling cotton can continue to sell at 12 cents. When present stocks are cleaned up and Central Europe begins to purchase, cotton should go higher. I do not think this applies to silk, and I think woolen goods may go somewhat lower than they are now.

It would appear from the above that we are now on a basis upon which a substantial volume of business should be done. We must not forget, however, that nearly one-third of the population of this country is dependent either directly or indirectly upon agriculture, and until the farmer gets on a basis by which he can raise his products and market them at a profit, we cannot hope for any real prosperity. There are agencies at work, however, that may help to bring about an improved condition of affairs for the farmer. The banks being formed under the Edge Law are one agency; the War Finance Corporation is another, and perhaps most important of all is that we have an Administration at Washington which realizes that business should be encouraged. This is one of the most hopeful signs of the times.

I think that surplus stocks of merchandise have been very largely liquidated, but not entirely. Before we get well into the Fall, I think things will be pretty well cleaned up. **It seems to me that we have seen the worst of the business depression. There may be no decided improvement for many months to come, but things should improve gradually. Next Fall business should be better than this Spring, and the Spring of 1922 better still. By the middle of 1922, business ought to be back on a sound, healthy basis.**

"Situation Clearing Up in New York"—Arthur E. Allen, Manager, New York Office, Westinghouse Electric & Mfg. Co.

THE indications of improvement for the industries of New York City continue to multiply, but actual business remains at a low point. The condition of affairs is in reality one of deadlock. Generally speaking, there is ample demand for commodities of all sorts, but something in the way of a "starter" is needed in order to set the industrial wheels in motion.

The dormant home-building situation is now of especial importance, because general activity in this line would prove a starter of a most effective kind. Hundreds of industries and thousands of people are more or less dependent upon building, and these are compelled to mark time until new construction begins. Labor appears to be the main retarding factor. The demand for buildings is exceptionally strong, the prices of material are at a satisfactory level, and the new tax exemption laws mean a saving of several thousand dollars on even a modest dwelling. The pressure in favor of building is therefore increasing rapidly and the force of only a single important element is holding it back. This situation of unstable equilibrium cannot be maintained indefinitely. **Adjustments of some kind are bound to be made in the near future, and then building will start on a large scale, and a sufficient amount of business will be immediately created to have a very advantageous effect on the several businesses of the city.**

The electrical industry is especially interested in renewal of building operations. The United States needs at least 1,500,000 residences, besides a large number of office buildings, hotels and other structures. Practically all of these are potential customers for the electric lighting

companies, electrical contractors and electrical manufacturers, so that an immense business lies just ahead for all of these interests.

Though the majority of New York's industries—including brick, cement, pottery, chemicals, fertilizers, printing, machinery of all kinds, and shipbuilding—must be considered as quiet but hopeful, there are some noticeably active lines. Sugar refining has evidently passed through its critical period, and the refiners are now actively engaged in production and in extensions. The textile industry shows continued improvement, and all mills are increasing production. Numerous orders have been received for paper-making machinery, showing that this industry is going ahead. The automobile industry is also improving, slowly but steadily, and this is being felt locally.

An interesting survey, showing the effect of the present depression on the activities of various cities as a whole, was recently made by a study of the demand for electricity in these cities. In strictly industrial towns, it was found that the consumption of electricity had fallen off as much as 50% within the past twelve months, reflecting obviously the result of the closing down of factories and the emigration of large numbers of workers. But in cities where manufacturing is not paramount, gains over last year's consumption are almost always recorded, which shows that the majority of people are prosperous and are using electricity, in homes, offices, stores and elsewhere, at a continually increasing rate.

"Will Have Gradual Return to Normal"—L. Freeman Little, President, The Anglo-American Mill Co.

REPLYING to your request, it is my pleasure to give you a brief statement of conditions as indicated to us in the form of inquiries based on our advertising.

Since we sell our product in almost all states of the Union and everywhere that wheat is grown, we consider the inquiries and sales in our business a rather good barometer of general business conditions. During the months of February and March we have had almost 40% normal sales, all of which have come from rather strenuous efforts and I believe that during this whole year any business we get will be gotten by more concentrated work than has been required in previous years to obtain results.

My impression is that we will have a gradual return to normal conditions and that we have passed the worst period.

I believe the same answer applies to our problem that will apply to that of most every other business, which is hard work and more careful attention to business practices.

"Natural Forces Will Take Care of Situation"—J. Baker, Pres., Baker Mfg. Co.

OUR farm products were forced down by coming in competition with products from the distant parts of the earth. These products had not advanced as much as ours because almost no ships could be spared during the war to go to these distant points.

This decline lessened the purchasing power of our farmer and started other prices downward. The movement was accelerated and magnified by the people putting off buying to save money, and by the desire of owners of merchandise to reduce their stocks during the decline.

It is my judgment that the general movement of prices will be downward for several years until practically pre-war prices are reached.

The gold mines of the world are producing less gold than before the war. In the United States we are using gold for jewelry faster than we are mining it. In the course of time we will want gold so badly that we will be willing to give more wheat, wool, and coal for it, which is reducing prices, and we will continue to increase the amount of other goods we will give for gold until the gold mines increase their output sufficiently to supply our requirements, which will probably be when prices have reached about their old level.

It is my belief that natural forces will take care of the situation.

"Business Awaits Certain Developments" — Robert R. Clark, President, Aunt Jemima Mills Company

FROM my point of view I would say:

(1) That the great thing needed is to have our legislative body at Washington proceed to administer the affairs of this government from a commercial and industrial rather than a political standpoint. England has done this for years, and that is the reason, I believe, why she is so successful commercially.

(2) That the industries of this country should be protected so that our raw material could be milled or manufactured into the finished product and not allow this raw material to go to the mills and industries of other countries so that they can shut us out of their consuming market, as has been the case especially in the flour milling and cereal industries of this country during the past year. This was more particularly caused by the low ocean preferential freight rates given raw material as against the manufactured product.

(3) That all restrictions be withdrawn from our merchant marine which make it impossible to operate at as low cost as the merchant marine of England and other countries.

(4) That the disabilities in the matter of exchange be adjusted back to pre-war basis either by refunding or the granting of longer time to reputable foreign countries that we wish to do business with, that are now in debt to the United States.

(5) That our domestic freight rates be reduced. That this be brought about by a reduction in railroad labor without governmental restrictions.

(6) That in some manner the labor organizations of this country be made to understand that our very life depends upon getting back to a normal basis, which means an honest eight hours' work for eight hours' pay—that otherwise it means no pay at all. **To get back to this basis means more work for the business man, the clerk, the laborer and the mechanic; less talk and less conference, and more actual work; each class of industry attending to its own affairs and allowing others to do likewise; the government keeping its hands off to as great an extent as is possible and still maintain a free government.**

Railroads

Bonds and Stocks

Chicago & Eastern Illinois R. R. Co.

What the C. & E. I. Reorganization Will Accomplish

Plan Drawn Up Should Greatly Reduce Funded Debt and Fixed Charges — Previous Rail Reorganizations Often Profitable to New Stockholders

***By* J. C. LESLIE**

IN the period from 1893 to 1899, a large and important group of American railroads went into the hands of receivers. In the single year of 1893, more than 27,000 miles, with an aggregate capitalization of almost 2 billion dollars were taken over by the courts.

To an important degree, the very conditions which led up to the 1890 debacle exist today.

Of course, our transportation systems are in a much stronger position now than they were twenty years ago. Enlarged banking facilities, the supervision of Federal regulatory bodies, more scientific management methods have bolstered them up to no unimportant extent.

At the same time, some of our roads have assumed greater annual obligation than they can meet; they have allowed current liabilities to accumulate while they met more pressing needs; they have encountered a period of slow traffic when what they needed was full-capacity business to carry them through. That a section of this group faces receivership is practically undeniable.

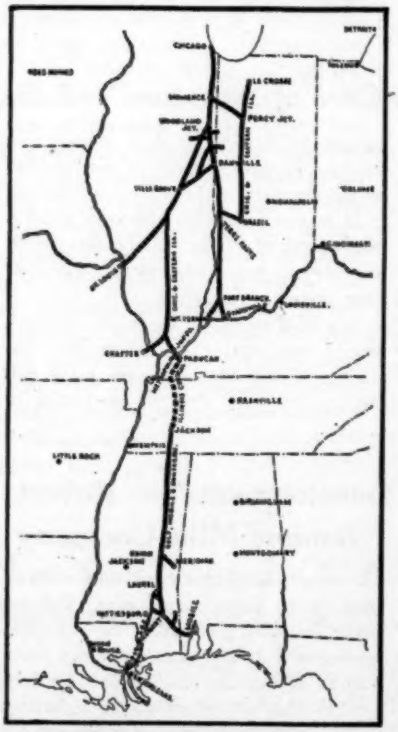
Under the circumstances, investors will do well to study with particular care the position of any road whose securities they may be thinking of purchasing.

The Signs to Look For

The signs which warn of "reorganization ahead" are very much alike, and therefore comparatively easy to recognize. High fixed charges; excessive floating debts; poorly balanced capitalization; destructive competition; the "flooding" of a company's territory with other transport services—these are a few of the standard signals.

Investors who are familiar with previous railroad reorganizations will know the importance of "going slow" when these signs appear. They will remember that in the 1893-9 period, the condition of the roads forced them to retract the rights even of bondholders to restore a proper relationship between earnings, expenses and fixed charges. They will remember that people who had invested in these enterprises in good faith were obliged to sacrifice holdings which they had had much reason to consider inviolable. And, therefore, they will not make commitments in a railroad stock without going deeply into the affairs of the company involved.

On the other hand, the fact is agreed upon that, as a rule, a "reorganized" railroad is a money-maker. Experience has shown to a great extent that the system which has uncovered the worst of its troubles, gone into receivership and been made over, emerges from the process well able to cope with conditions not formerly appreciated and guarded against.



The hypothesis simmers down to this: A railroad reorganization is likely, temporarily, to be costly to original security holders; but to those who get into the readjusted company the process is likely to prove very profitable.

The Most Recent Reorganization

One of the most recent reorganizations to be attempted is that of the Chicago & Eastern Illinois R. R. The reorganization managers and the committees have adopted and approved a plan and requested deposits of various securities on or before April 30, 1921.

This road has been burdened with heavy terminal charges and, even at present, has the benefit of a comparatively small amount of long-haul freight. Most of its activities consist in originating and distributing freight, which is the least profitable part of railroading. It can never be made a profitable system without remedying this condition.

Several years ago when Chicago & Eastern Illinois was controlled by the St. Louis & San Francisco System, it was proposed that this road should be linked-up with the New Orleans, Mobile & Chicago, also a subsidiary of the 'Frisco Lines, to form a system connecting the Gulf of Mexico with the Great Lakes. However, the 'Frisco lost both of these subsidiaries in its own reorganization and the plan fell through. Since then the New Orleans, Mobile & Chicago has itself been reorganized, the name being changed to Gulf, Mobile & Northern; and now that the reorganization of the Chicago & Eastern Illinois is under way, it will be highly probable that the originally proposed consolidation will be put through. C. & E. I. has terminals at Chicago and

CHICAGO & EASTERN ILLINOIS

Year	Gross Revenue (Old Company)	Net Revenue (Old Company)	Interest Charges (New Company)	No. Times New Interest Charges Earned
1911........	$14,880,000	$4,775,300	$2,327,051	2.05
1912........	15,216,000	4,315,800	2,327,051	1.85
1913........	16,215,000	3,330,300	2,327,051	1.45
1914........	15,544,000	2,575,300	2,327,051	1.10
1915........	14,211,000	2,604,700	2,327,051	1.10
1916........	16,696,000	4,018,100	2,327,051	1.70
1917........	21,019,000	4,675,700	2,327,051	2.00
1918........	26,753,000	2,619,700	2,327,051	1.12
1919........	24,795,000	688,200	2,327,051	.30
1920........	30,897,000	2,546,100	2,327,051	1.10
			Approximate Average	1.40

St. Louis but at present the charges at these cities practically absorb the revenue from freight hauled short distances. On the other hand, Gulf Mobile, with its own branches and trackage rights, taps the largest body of long-leaf yellow pine left in the South. The products of this timber would form the bulk of the proposed system's business for many years, and the linked-up roads would get a long haul on such freight, since the principal market would be in Chicago and vicinity.

At present a gap of 130 miles exists between Jackson, Tenn., and a bridge crossing the Ohio River near Paducah, Ky., which can be closed in either of two ways. First by building a new line which could be readily done since Gulf, Mobile & Northern is now in a position to build if need be; or second, to negotiate for trackage rights over the Illinois Central. The second method seems the more probable and the knowledge that the company is able to build the connecting link would go a long way toward securing such trackage rights.

It will be seen that the consolidation of the Chicago & Eastern Illinois and the Gulf, Mobile & Northern roads is a pressing traffic necessity beneficial to both, and as the development of this proposition has been waiting on the reorganization of the former road it should not be long before some detailed plan for the merger of the two lines will be worked out. As control of the two properties is said to be largely in the same hands, such a merger should be favorable to the stocks of both concerns.

C. & E. I. Formerly Controlled by 'Frisco

The Chicago & Eastern Illinois R. R. Company was incorporated in 1894 and was formerly controlled by the St. Louis & San Francisco. In 1913 this first named road was placed in the hands of a receiver and in 1916 control by the St. Louis & San Francisco was relinquished due to reorganization of that system itself.

The main line of this company runs from Chicago to Evansville, but its branch lines extend to other important centers in Missouri, Indiana and Illinois. Approximately 60% of its freight traffic is coal, and the territory through which the road operates is a very rich bituminous region. In 1919 the road made an exceptionally poor showing due to the coal strike. Had the merger of the Gulf, Mobile & Northern been completed at that time this strike would not have had such a large effect on the company's earnings, since a greater diversification of traffic would have been made possible.

At the time the road was placed in the hands of receivers, the physical condition of the property was unsatisfactory due to the fact that the company paid dividends at the expense of maintenance; in fact, the funds appropriated to maintenance charges had been insufficient for a number of years. Since that time, however, large amounts have been spent in an effort to bring the properties up to standard. The Federal valuation figures estimating the value of the property as of December, 1919, gives a total of over $82,000,000. This amount is based upon the valuation of adjoining lands and does not take into consideration the higher cost of acquiring such lands by the railroads.

As a result of the reorganization there has been a drastic reduction in funded debt and in fixed charges. The capitalization of the old company consisted of $74,827,180 funded debt; $12,163,500 preferred stock and $7,213,768 common stock; or a total of $94,204,448. A mere glance at these figures, showing such an overwhelming proportion of funded debt, should have been a danger sign to investors. The new capitalization calls for a total funded debt of $44,847,600, with $22,051,050 6% preferred (cumulative after January 1, 1924) and $24,135,100 common stock; or a total of $91,033,750, of which total the funded debt is less than 50%.

The bondholders of the various issues have been given an exchange of securities, no assessment being levied against them; however, the present holders of both the common and the preferred stocks are assessed $30 per share and upon payment of such assessment will receive $30 in new general mortgage 5s and $100 in new common stock. The fact that a large percentage of these bonds is being exchanged for junior securities puts additional value behind the new general 5s.

This large decrease in the company's funded debt from almost $75,000,000 to $44,847,600 represents a reduction of over 40%. This is a greater curtailment than was effected by either the St. Louis-San Francisco or the Rock Island. As a result of this huge reduction in funded debt, fixed charges of Chicago & Eastern Illinois are reduced over 38%, which compares with a reduction of less than 22% in the 'Frisco System and of approximately 14% in the case of Rock Island.

Conclusion

The great reduction in fixed charges, the improved physical condition and the additional working capital, should enable this company to show excellent operating returns. Not only have new facilities been provided to increase the efficiency of its operations but the fact that it will be unimpeded by its former weak subsidiaries should have a beneficial effect on the system as a whole. Depending on gradual resumption of business, the net operating income of the new company for 1921 should be somewhere in the neighborhood of $4,000,000, while under normal conditions the average annual operating income has been estimated at something over $5,000,000. If, however, the merger with the Gulf, Mobile & Northern is satisfactorily concluded, these earnings should be increased and in addition they should be more stable.

The general mortgage 5% bonds, to be issued by the new company, will mature not later than 1951 and will be secured upon all property of the company subject only to the Prior Liens. At the conclusion of this financing there will be $35,500,000 new general mortgage 5s and $9,347,600 of other bonds made up of $5,137,600 securities of the old company which have not been disturbed and loans to the government amounting to $4,210,000, which will be collaterally secured by a new prior lien mortgage issue, no bonds of which are at present to be outstanding in the hands of the public. Due to the improved conditions brought about by the reorganization, this general mortgage 5% issue may be regarded as a good specvestment. At 62 this bond yields almost 8½% and should show an improvement in market value as it becomes better seasoned.

The new preferred and common stocks are speculative but will probably not be active enough for the average man for some time. The outlook for the company is better than in the days when it was paying its 6% preferred dividend regularly, besides making substantial disbursements on the common. From 1900 to 1912 inclusive, the road paid a total of 78% on its preferred or at a 6% rate for these 13 years; a total of $71.50 was paid on the common in the same period, making an average annual payment on this junior issue of 5½%.

Its reorganization should give C. & E. I. a new impetus; it strengthens its capital position; it paves the way for the merger with Gulf-Mobile. Altogether, the company's outlook is good.

THE DROP IN RAILROAD BUSINESS

As indicative of the business situation necessitating a readjustment of expenses to earnings, the Pennsylvania Railroad made public on March 20, the following statement of freight movement and stored empty cars on the system:

The average number of freight cars dispatched daily is one of the best indications of railroad business. From October to February inclusive, the average number of freight cars dispatched daily on the Pennsylvania Railroad dropped more than 29%. The falling off in business affecting this railroad is shown in the following review of the average number of freight cars dispatched daily:

October, 1920	143,074
November, 1920	136,699
December, 1920	130,677
January, 1921	115,907
February, 1921	100,823

More than one-third of the freight car equipment owned by the Pennsylvania Railroad, which ought to be earning revenue, is not earning a cent. On February 28, 1921, there were 89,258 idle freight cars on the Pennsylvania System. This is how the number of idle cars piled up since December:

December 15, 1920	14,065
December 31, 1920	30,680
January 15, 1921	49,216
January 31, 1921	56,252
February 15, 1921	79,790
February 28, 1921	89,258

The Pennsylvania Railroad is not the only railroad affected by present conditions. All the railroads of the country are feeling the pinch of world-wide business depression. The latest reports show that there are 392,550 idle freight cars in the country not earning any revenue for the railroads that own them.

A WORD

Mr. Justice Holmes's definition of a word:

"A word is not a crystal, transparent and unchanged; it is but the skin of a living thought and may vary greatly in color and content according to the circumstances and the times in which it is used."

Have the Railroads Seen the Worst?

Heavy Falling Off in February Gross and Net in February, But Indications Show That Corner Has Been Turned—Relief Must Come Quickly Through Reduction in Wages and Freight Rates

By **ARTHUR J. NEUMARK**

RESULTS of railroad operations for the month of February were about as anticipated. Gross revenue reflected the extreme dulness of business throughout the country. **However, the worst has probably been in the February results and from now on there should be a gradual improvement if only from the normal seasonal improvement in business.** Of the thirty-six Class I roads covered in this article, sixteen are earning at an annual rate (based on six months' operation) insufficient to cover fixed charges. Chief among these roads are: Baltimore & Ohio; Chicago, Milwaukee & St. Paul; Chicago & Northwestern; Louisville & Nashville; New York Central; Pennsylvania, and Southern. Only five roads are earning at a rate sufficient to cover dividends on the common stock, namely, Chesapeake & Ohio; Delaware, Lackawanna & Western; Illinois Central; Southern Pacific, and Union Pacific.

Actual Situation

The appended table really reflects a much better condition than actually exists. In including in these calculations the last four months of the year 1920, the writer is taking a period of greater traffic volume than will probably exist at any time this year. On the basis of operations for the current year Illinois Central alone (of the five roads which on the six months basis, are earning their dividend requirements) would be earning sufficient to cover its common dividend. In fact, Chesapeake & Ohio's earnings were insufficient to cover operating expenses, Union Pacific's earnings were at the rate of about one-third of fixed charges, and Delaware, Lackawanna & Western's and Southern Pacific's at the rate of about two-thirds of their dividend requirements. The majority of those roads which are earning varying percentages of their fixed charges did not earn enough to cover operating expenses for the first two months of 1921. Of course, it is just as unfair to take January and February as a basis, as it is to take the six months; **but it seems almost certain that the relief that is to come to the railroads in the current year will be from a reduction of wages and rates rather than from any volume of traffic such as obtained in September and October of 1920.** The abrogation of the National Wage Agreements is the first constructive step along these lines.

The writer merely wishes to caution readers in the interpretation of the table submitted in this article. The figures, as shown, reflect a much better condition than actually exists, and while a considerable improvement is expected by the fall, the volume of traffic even then promises to be considerably below the fall months of 1920, when the tonnage carried reached record proportions, and when a car shortage existed as contrasted with the present record number of idle cars.

Our railroads certainly cannot continue at the present rate of operation, piling up deficits month after month. Some relief must be afforded them to tide them over the present protracted period of depression, and that relief can only come from a substantial reduction in wages and salaries with a proportionate reduction in freight rates to stimulate what little business there is.

The results of operations for the six months to February 28, 1921, were as follows:

EASTERN ROADS

Cleveland, Cincinnati, Chicago & St. Louis, which up to February had been making a very excellent showing, reported gross earnings of $5,763,703, compared with $6,743,754 for the same period of last year and $6,960,692 for the previous month. The road reported a net operating deficit for the month, compared with net operating income of $444,467 for the previous month. Earnings for the six months were at the annual rate of $10,000,000, or the equivalent of the government guarantee.

Delaware & Hudson reported a deficit of $58,683 before fixed charges in February, compared with net operating income of $338,095 in the previous month. Earnings for the six months were at the annual rate of $6,466,000, compared with a government guarantee of $7,363,700.

Delaware, Lackawanna & Western's net for February declined to almost the vanishing point. Earnings for the six months were at the annual rate of $12,200,000, compared with a rental of $15,749,477.

Erie showed a slight improvement in February, reducing its operating deficit from $79,000 in January to $11,933. The deficit for the six months to February 28 amounted to $271,306.

New York Central's gross for February declined over $4,000,000, or 15% from the previous month, and the road reported a net operating deficit of $430,322, compared with a deficit of $256,837 in January. For the six months earnings were at the annual rate of $25,130,000, compared with a standard return of $57,690,588.

New York, Ontario & Western reported a slight improvement in both gross and net for the month of February. Gross was slightly in excess of the previous month, and the road reported net operating income of $37,006, compared with a deficit of $65,556. For the six months earnings were at the annual rate of $742,000, compared with a government guarantee of $2,103,589.

Pennsylvania's net operating deficit more than doubled the deficit of January, and Pittsburgh, Cincinnati, Chicago & St. Louis reported the enormous deficit of $2,700,337 before fixed charges in February, compared with a deficit of only $166,250 in January. Gross earnings on the former road declined over $7,000,000, or over 16% from the previous month, and the latter over $3,700,000, or practically 38%. For the six months combined earnings were at the annual rate of only $15,630,000 or less than one-fifth of the government guarantee. The situation with Pennsy is quite serious and there is considerable possibility that the next dividend will be passed.

COAL CARRIERS

Baltimore & Ohio's net earnings dropped to practically nothing in February. Gross declined $3,700,000, or over 20% from the previous month. Earnings for the six months were at the annual rate of $16,160,000, compared with a rental of $28,105,647.

Chesapeake & Ohio made a very disappointing showing. The earnings of this company had been holding up in the face of all the current railroad ailments, but in February earnings suffered a very rapid decline. Gross declined from $7,100,000 in January to $5,300,000, or over 25%, and in place of net operating income of $491,736 the road reported a net operating deficit of $556,636. For the six months earnings were at the annual rate of $14,728,000, compared with a standard return of $14,588,579.

Lehigh Valley suffered a further increase in operating deficit for the month of February, and earnings for the six months were only at the annual rate of $4,000,000, compared with a government guarantee of $11,318,714.

Norfolk & Western in comparison with the other coal carriers made a satisfactory showing in February. Although gross declined from $7,436,716 in January to $5,659,621, a decrease of over 24%, the road still managed to show a net balance after rentals amounting to $256,630. Earnings for the six months were at the annual rate of $14,000,000, compared with a standard return of $20,711,875.

SOUTHERN LINES

Atlantic Coast Line showed a slight improvement over the previous month in net, while gross was about the same. Net operating income amounted to $673,869, compared with $340,790 in January. For the six months earnings were at the annual rate of $6,647,000, compared with a rental of $10,180,915.

Louisville & Nashville's operating deficit in February was considerably over twice the deficit of the previous month.

Operating deficit amounted to $1,402,034, compared with a deficit of $587,421 in January. Gross declined over 15%. Earnings for the six months were at the annual rate of only $2,420,000, compared with a government guarantee of $17,310,495.

Seaboard Air Line practically broke even on operations for the month of February. Earnings for the six months were at the annual rate of $6,140,000, compared with a standard return of $6,497,025.

Southern Railway suffered a further increase in operating deficit for the month of February. Operating deficit amounted to $868,479, compared with a deficit of $626,055 in the previous month. For the six months earnings were at the annual rate of $4,400,000, or less than one-fourth of the government guarantee.

SOUTHWESTERN ROADS

Missouri Pacific reported net operating income of $53,973 for the month of February, compared with $340,627 in the previous month. Earnings for the six months were at the annual rate of $10,940,000, compared with a rental of $14,206,805.

St. Louis Southwestern's earnings held up well in February, amounting to $160,795, compared with $227,453 in January. Gross earnings reflected no more than a seasonal decline. Earnings for the six months were at the annual rate of $6,000,000, compared with a standard return of $3,910,914.

St. Louis-San Francisco's remarkable showing for February is somewhat dulled by a study of the maintenance figures for the month. Net operating income was twice as large as the previous month on approximately $400,000 less business, maintenance of way and structure, however, was $338,000 less than in February, 1920, and maintenance of equipment was $374,000 less, which accounts for 70% of the increased earnings. Earnings for the six months were at the annual rate of $17,534,000, compared with a rental of $13,415,519.

Texas & Pacific reported net operating income of $72,889, compared with $182,175 in the previous month. Earnings for the six months were at the annual rate of $4,000,000, or about the same as the government guarantee.

WESTERN CARRIERS

Chicago & Northwestern reduced its operating deficit from $1,279,561 in January to $425,615 in February, although gross was over $1,100,000 lower. For the six months earnings were at the annual rate of $8,200,000, compared with a standard return of $23,201,016.

Illinois Central continues to lead all the standard roads in operating results. This road is making a very remarkable showing through all this period of depression. Net operating income for February amounted to $1,713,791, compared with $2,053,528 in the previous month. Gross declined less than 4%. For the six months earnings were at the annual rate of $21,236,000, compared with a rental of $17,986,487.

Minneapolis & St. Louis reported a deficit before fixed charges of $132,137, compared with a deficit of $6,185 in the previous month. Earnings for the six months were at the annual rate of $893,000, compared with a standard return of $2,706,994.

Northern Pacific reported a further increase in operating deficit. For the two months of the current year the road has accumulated an operating deficit of over $1,100,000. Earnings for the six months were at the annual rate of $12,373,000, or less than one-half of the government guarantee.

NORTH CENTRAL ROADS

New York, Chicago & St. Louis reported net operating income of $174,391 in February, compared with net of $470,462 in the previous month. Earnings for the six months were at the annual rate of $2,740,000, compared with a rental of $2,218,857.

Pere Marquette managed to report a net balance after rentals of $6,425 for the month of February, compared with an operating deficit of $290,144 in January. Earnings for the six months were at the annual rate of $3,160,000, compared with a government guarantee of $3,748,196.

Wabash reported a net balance of $106,598 in February, compared with an operating deficit of $145,114 in the previous month. For the six months earnings were at the annual rate of $3,653,000, compared with a standard return of $5,786,352.

Wheeling & Lake Erie's operating deficit increased slightly over January, and earnings for the six months were at the annual rate of $184,000, compared with a rental of $1,723,315.

TRANSCONTINENTAL LINES

Atchison suffered a further setback in February. Gross declined from $18,500,000 to $16,600,000, or slightly over 10%, and the operating deficit of $174,480 in January increased to $294,909. Earnings for the six months were at the annual rate of $24,160,000, compared with government guarantee of $44,615,087.

Southern Pacific's earnings are holding up remarkably well. Net operating income increased from $1,500,000 in January to $1,872,843 in February. Earnings for the six months were at the annual rate of $41,744,000, compared with a rental of $48,244,600.

Union Pacific reported net operating income of $580,388 for the month of February, compared with an operating deficit of $124,351 in the previous month, although gross earnings were $2,000,000 less. This saving was due almost entirely to a cut in maintenance of way and structure. Earnings for the six months were at the annual rate of $36,550,000, compared with a standard return of $39,369,411.

RAILROAD EARNINGS

The table below shows the annual rate earned by 40 of the principal railroads, for the period indicated, as applied to their fixed charges (interest on bonds and rentals), or their preferred or common stocks, as the case may have been. The six months are deemed to represent 49.2% of the year's traffic—the ratio that obtains in normal years. Other income (such as dividends, interest, hire of equipment and joint facility credits) and other charges (such as taxes, hire of equipment and joint facility debits) for 1919 were taken, except where later figures were available and in the case of Atchison where unusual income was known to exist. In the case of this road 1918 was taken.

SIX MONTHS—SEPT. 1, 1920 TO FEB. 28, 1921.

System	Annual Divd. Rate on Common (%)	Earnings: $ Per Share on Com.	$ Per Share on Pfd.	% of Fixed Charges Earned
Atchison	6%	$2.00	.....	....
Atlantic Coast Line	7	5.50	.....	....
Baltimore & Ohio	....	.....	.....	82%
Chesapeake & Ohio	4	10.20	.....	....
Chicago Great Western	....	.....	.....	29
Chicago, Milwaukee & St. Paul	....	.....	.....	30
Chicago & North West	5	.....	.....	90
Chic., R. I. & Pacific	....	.....	.....	87
Cleve., Cin., Ohio & St. L.	....	7.00	.....	....
Colorado & Southern	....	18.25	.....	....
Delaware & Hudson	9	8.70	.....	....
Del., Lack. & West.	(a)20	18.00	.....	....
Erie	....	.....	.....	(b)
Great Northern	7	.....	(i) 2.15	....
Illinois Central	7	14.20	.....	....
Kansas City Southern	....	9.00	.....	....
Lake Erie & Western	....	.....	.....	27
Lehigh Valley	(a) 7	.....	.....	62
Louisville & Nashville	7	.....	.....	40
Minneapolis & St. Louis	....	.....	.....	35
Missouri Pacific	....	.....	.83	....
New York Central	5	.....	.....	78
N. Y., Chic. & St. Louis	(c)	1.45	.....	....
N. Y., New Haven & Hartford	....	.....	.....	(d)
N. Y., Ontario & Western	1	.....	.....	66
Norfolk & Western	7	6.10	.....	....
Northern Pacific	7	1.60	.....	....
Pennsylvania	(a) 6	.....	.....	(e)42
Pere Marquette	....	.45	.....	....
St. Louis-San Francisco	....	8.00	.....	....
St. Louis Southwestern	....	16.00	.....	....
Seaboard Air Line	....	.....	(j)	....
Southern Pacific	6	7.90	.....	....
Southern Railway	....	.....	.....	33
Texas & Pacific	....	2.30	.....	....
Union Pacific	10	12.40	.....	....
Wabash	....	.....	(f) .20	....
Western Maryland	....	.....	(g) 7.00	....
Western Pacific	....	(h) 7.80	.....	....
Wheeling & Lake Erie	....	.....	.....	14

(a) $50 par value; (b) Operation for the six months were at a deficit of $271,306 before fixed charges; (c) On Jan. 3, 1921, company paid a dividend of 5%, the first since March 1, 1913; (d) Operations for the six months were at a deficit of $3,806,846 before fixed charges; (e) Includes operations of the Pittsburgh, Cincinnati, Chicago & St. Louis R. R.; (f) On pfd. A stock; (g) On 1st pfd. stock; (h) Includes operations of the Denver & Rio Grande R. R., and calculation is based on reorganization and readjustment plan as announced by Western Pacific; (i) Only one class of stock; (j) Operations were at the annual rate of 3.75% on the adjustment mtge. 5% bonds.

Industrials

Bonds and Stocks

General Electric Company

General Electric's 1920 "Losses"

Ruthless Scaling Down of Inventory Largely Responsible for "Drop"—Present Dividend Rate Seems Secure—Electrical Industry's Remarkable Growth

By **WILLIAM J. KEARY**

A FEW decades ago electricity played little or no part in our social and industrial life. The qualities and character of electricity were known and demonstrated, but its vast potentialities were then not appreciated, even in the smallest sense. Today we find it lighting our homes and buildings efficiently, economically and with the maximum of safety; hauling our metropolitan and suburban cars and trains; driving the wheels of industry; providing rapid communication through the telephone and telegraph, and minimizing loss of life at sea through the instrumentality of the wireless. In late days it is doing the work of the housewife, cleaning carpets, washing clothes and performing numerous other household tasks; it is driving our ships at sea; heating our homes. Almost daily being adapted to some new uses, electricity has proven a force that is indispensable to the happiness and advancement of civilization. From a luxury it has become a vital necessity.

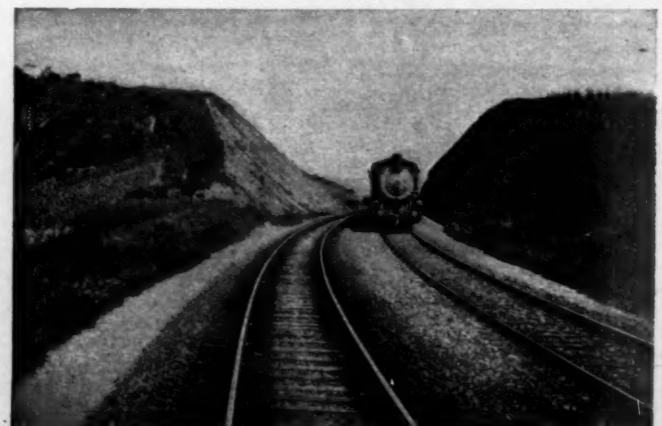
In the great expansion of the electrical industry, the General Electric Company has had a predominant share. Its scientists have been ahead in almost every phase of development, designing new inventions, improving imperfect appliances, bringing efficient instruments to a higher state of perfection. The art of wireless telegraphy, the child of Marconi, was practically revolutionized by the devices of the General Electric. To the company may be given the credit for perfecting the X-Ray apparatus, which has done so much for the diagnosis and alleviation of human suffering. From the manufacture of electric fans that stir cooling breezes to the giant engines that send huge battleships ploughing through the sea, General Electric has dominated the field of electrical progress.

The growth of the company has been in measure with the growth of the industry. **Back in 1886, when electrical development was about beginning, the predecessor of the present company had two buildings, 70,406 square feet of plant area and 300 employees. At present the buildings number 325, the plant space has enlarged to 24,000,000 square feet, and the employees increased to about 85,000.** As showing the extraordinary diversification of the company's products, it has been estimated that some 75,000 units of equipment are manufactured at the company's works. These include such articles as turbine sets and marine propulsion equipment generally, motors of various classifications, switchboards, convertors, generators, wiring supplies, electrical locomotives and railway equipment, radio apparatus, X-Ray tubes, household utensils and nearly every known article used electrically with the exception of the telephone, which is practically the monopoly of another corporation. Its area of operations is not confined to the United States, but is world-wide. Its foreign interests and activities were consolidated in 1919 through the formation of the International General Electric Company, which is owned entirely by the parent company, and through the instrumentality of which agency all manufacturing, selling, engineering and construction work abroad is being done.

Deflation, readjustment and business depression in 1920 did not leave the company unscathed. Naturally a corporation catering to so many different trades must have suffered somewhat from the stagnation and curtailment in so many of them. In a period of poor business, the heads of enterprises are disinclined to install new boilers or equipment; public utilities are reluctant to purchase new electrical parts; shipping executives cut down their building programs and do not think seriously of electrical installations; the householder thinks less about electrical cookers and washing machines, and in general there is a let-up in the demand for electrical products. **Despite these adverse conditions, however, the sales of the General Electric Company for 1920 were $275,758,487 as against $229,979,983 in 1919, an increase of over $45,000,000 in one year.** These figures speak for themselves of the expansion both of the company and the industry.

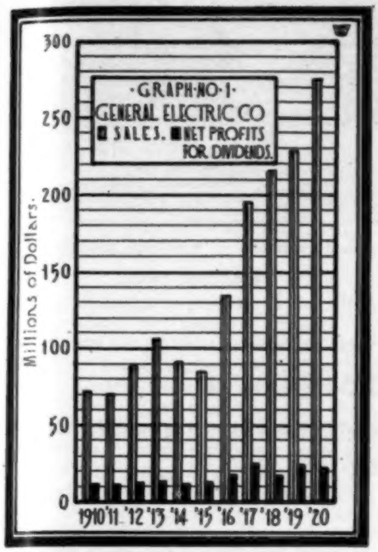
Operating earnings for the year amounted to $44,264,042, from which, however, it was necessary to make a deduction of $17,803,985 to adjust inventories to market values, leaving the net manufacturing profit at $26,460,057, or $6,664,243 less than in 1919. Sundry income from investments and interest was higher by $3,729,637, while deductions for interest charges and taxes were approximately the same. After provision for all adjustments, the net profits for the year, available for dividends were $22,132,287 against $25,077,971 in the previous year. Surplus for the year showed a net increase of over $6,000,000.

In view of prevailing conditions and the experience of other strongly entrenched companies, the results for the year must be considered satisfactory. If the company had not "written down" inventories to market value and thereby taken a loss of $17,803,985, the profits for the year would have been equivalent to $28.72 per share. Even allowing for the inventory depreciation the profits were equal to $15.92 per share, or much more than enough to care for the 8% cash dividend and the 4% stock dividend



View on Paulista Railway, Brazil, which is now being electrified by a General Electric subsidiary

without drawing on the accumulated surplus of the company. This fact augurs well for the continuance of the stock dividend which some were inclined to believe might be omitted.



Balance Sheet Position

An examination of the balance sheet shows that net working capital increased from $122,054,949 in 1919 to $145,200,615 in 1920. Inventories increased during the year by $34,000,000, notes and accounts receivable increased by $19,000,000, and cash was $33,240,766, contrasted with $30,994,397, in 1919. Among the current liabilities was an item of $45,979,357, representing notes payable, a class of liability which was not a feature of previous balance sheets, and which was apparently an offset to enlarged inventories and accounts receivable. By the end of March $41,992,000 of these notes were paid off, and obviously it is the intention of the company to wipe them off completely. Nearly $16,000,000 was spent during the year for additions to plants, which are now carried on the books at a net depreciated valuation of $66,536,682, which, in view of the company's policy of appraisal, may be considered conservative. The investment securities of the company which had a book value of $51,142,310 at December 31, 1919, had increased to $63,766,644 at the end of 1920. How much of this increase is due to new investments during the year and how much to the revaluation made by a committee of the Board is not made clear in the company's annual report, but little apprehension need be entertained that there is any over-valuation.

During the year the company did a good deal of new financing, and increased both its funded debt and capital stock. The two-year 6% notes of the company, maturing in July, 1920, and amounting to $15,000,000, were replaced by an issue of 20-year 6% debentures of like amount, which were eagerly absorbed by the investing public. Approximately $5,000,000 additional 5% debenture bonds of the issue maturing in 1952 were issued to pay for extensions, and so forth, which together with some $2,500,000 paid in by employees for special 7% debentures, made the net increase in the funded debt $7,500,000. Capital stock increased from $120,557,200 to $139,026,900, the increase representing $12,000,000 in new subscriptions, $5,000,000 in stock dividends and some $1,200,000 issued for the acquisition of factories. The balance sheet, however, did not reflect the additional subscription of $27,363,100 in response to the offer made to stockholders in November, 1920. Most of the stock had been paid for in January of this year, and when it is wholly issued, the outstanding capital stock will be in excess of $166,000,000.

In connection with stock subscriptions it is interesting to note the attitude of the employees towards the company. Last November the Board of Directors offered the employees the opportunity of subscribing for one to ten shares of the company's stock at a net price of $116 per share, payment to be made on the instalment plan through deductions from wages. The 40,000 shares allotted for this purpose were overwhelmingly subscribed by 31,000 employees, 36% of the entire force. Everything possible is being done by the company to make working conditions as pleasant as possible for the workers and to promote good will through solicitous interest in the health, welfare and advancement of the employees. As has been seen, thrift is encouraged through the opportunity of purchasing the company's securities on the partial payment plan; continuous service is rewarded through the payment of 5% annual supplementary compensation to employees staying with the company for five successive years or more. Life insurance and pensions are available on favorable terms; hospitals and clinics are maintained and assistance rendered to those suffering from protracted illness; restaurants furnish good meals at minimum prices; educational courses are given in a wide variety of subjects, including English to foreigners; recreational advantages are afforded through the use of athletic fields, summer camps and musical entertainments; vacations with pay are granted yearly and the factories are kept scrupulously clean and well ventilated. The result is a contented army of employees and the practical elimination of labor troubles.

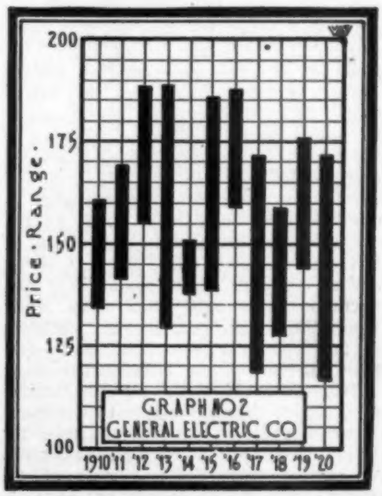
GENERAL ELECTRIC'S 10-YEARS

	Net Avlble. for Dividends	Cash Dividends Paid	Earned per Share	Paid per Share
1920	$22,132,287	$10,651,306	$15.92	*$8.00
1919	25,077,791	9,545,469	21.02	*8.00
1918	17,104,982	9,165,222	14.77	8.00
1917	26,003,828	8,120,048	26.50	†8.00
1915	11,787,909	8,129,918	11.57	8.00
1910	10,855,662	5,214,368	16.69	8.00

*Also 4% in stock. †Red Cross dividend of 1% was also paid. A stock dividend of 30% was paid in 1913.

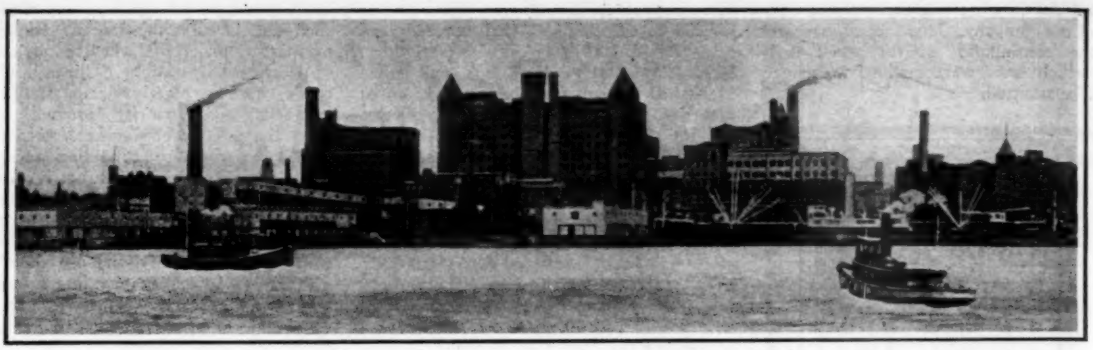
Unusual Possibilities of Industry

It is difficult to conceive of a company with greater future possibilities than General Electric. Despite the achievements in the past thirty years, the electrical industry is yet in its infancy, and capable of an expansion far surpassing that which it has undergone in the past. An immense field is opened up for the General Electric Company in the electrification of the steam railroads in many sections of the country, a development which is almost certain to come, and in the near future, too, if the railroad tangle can be speedily straightened out in anything like a satisfactory manner. During the war the advantages of electrified operation of the steam railroads were strikingly demonstrated and its relative superiority proved. Apart from the greater convenience, greater reliability, greater traffic hauling powers of the electrical locomotive, motives of national economy and efficiency compel attention to this phase of railroading. Our railroads consume more than 176,000,000 tons of coal annually, and use about 20% of their carrying capacity in hauling this fuel from place to place. It has been estimated that by running our trains by electricity some 120,000,000 tons of coal would be saved to the nation annually, regardless of the saving through the elimination of hauling it long distances. A survey has been made of our vast water power resources, which have a potential horsepower of 54,000,000, of which only 10,000,000 horsepower is now being utilized. Engineers propose the harnessing of this vast force, and of distributing it throughout the country by means of great interconnected trunk systems, and this power, supplemented by the power generated from coal at the mine heads, would furnish a comparatively cheap force for the propulsion of our trains and for many other purposes. This may be only a proposal at present, but it will materialize eventually and with it will come almost general railroad electrification.



The General Electric has derived considerable business from this source already, through its part in the electrification of the Chicago, Milwaukee & St. Paul Railroad. That railroad electrification is not an idle dream is shown by the example of the St. Paul, with over

(*Continued on page* 916)



The Havemeyer & Elder Refinery of the Amer. Sugar Ref. Co. at Brooklyn, having a daily capacity of 4,000,000 pounds

American Sugar Refining Co.

American Sugar Weathers the Storm

Huge Company Emerges Safely from a Year Which Saw Unparalleled Fluctuations in Sugar Prices—Outlook Gradually Improving

By **R. M. MASTERSON**

AMERICAN Sugar Refining Company can breathe a sigh of relief now that 1920 is over. It knows that it has seen the worst and that it can face the future with a grim determination to roll up its profits, as in former years, without the fear of another stab in the back through the inventory account.

1920 Fluctuations

Fluctuations in sugar during 1920 were probably more violent than in any other commodity. Prices ranged from 4⅝ cents to 24½ cents for duty paid raw sugar and from 7½ cents to 27½ cents refiners' list price for refined sugar. To give an accurate understanding of the violence of these fluctuations the American Sugar Refining Co. points out in its annual report that an investigation of the prices of over one hundred years, including the years of the Mexican and Civil Wars, failed to reveal a change in any one year one-half so great as the fluctuation of 19.875 cents per pound of last year. Even in 1914, the year of the sudden outbreak of the Great War, the fluctuation was only 3.625 cents, while from 1900 to 1910 the greatest variation in any one year was 1.815 cents—less than one-tenth of the 1920 fluctuation.

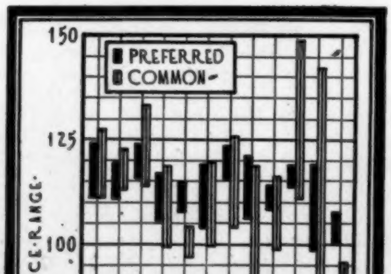
The causes of these extreme fluctuations divide themselves into two primary factors—conditions brought about by the Great War and government de-control. In normal years the marketing of the world's supply was carried out with almost fixed regularity. Continental Europe produced almost half the world's supply and the United States field was self-contained. With the outbreak of the war about a third of the world's normal production, which was contained within the Central Powers, was cut off and as the European Allies held almost no sugar producing territory government control in practically all countries gradually came about. At the close of hostilities sugar was a rationed staple in most countries and as control was continued the market remained orderly until June, 1919, when France, with little warning, de-controlled sugar for domestic purposes. The result was a scramble in the world's market with little regard to prices. Early in 1920 when the United States government relinquished control the result was the same but on a larger scale.

Sugar Madness

The Cuban crop had not come up to expectations and it was known that Europe had contracted for approximately 25% of the output of the Island. The

TABLE I.—DIVIDEND RECORD.

	—% per annum—	
	Preferred	Common
1891	7	8
1892	7	9
1893	7	22
1894-9	7	12
1900	7	6½
1901-17	7	7
1918	7	9¼
1919	7	10
1920	7	18
Present rate	7	7



American population was drunk with war prosperity; for three years they had not been able to satisfy their demands for sugar and now, with control ended and a full purse, they wanted sugar, they had to have sugar, they would have sugar—regardless of price. "Get us sugar," was their cry. Accordingly, the world was scoured for sugar and the great demand and high prices caused the sweet to pour into the United States from all ends of the earth. In all, 4,460,166 tons were imported during 1920 as compared with 3,976,331 tons in 1919 and 3,115,143 tons in 1918. After making adjustment of stocks, of exports, and of the increased domestic crop, the American Sugar Refining Co. estimates that there were, roughly, 1,735,111,000, pounds (approximately 16 pounds per capita) more sugar for domestic use in the United States in 1920 than in 1919. When it was finally realized what existing conditions were, the hysteria of cancellation and repudiation of contracts was as great as the buying panic had been and it is not surprising to us now that the closing months of the year witnessed the greatest collapse ever recorded in the price of sugar.

Naturally the toll was heavy—from producer to retailer—and American Sugar Refining Co. was no exception. For the first eight months of the year it was announced that the net refining profits amounted to over $11,000,000, but for the full twelve months the net profit from operations dwindled to only $1,800,000, indicating that losses have been sustained in the last four months aggregating approximately $9,200,000. But American Sugar Refining Co. had been built on a solid foundation and was well able to weather these chaotic conditions.

Organization and Properties

Incorporated on January 10, 1891, under the laws of the State of New Jersey, the company has for 30 years been a thriving and profitable enterprise. It is the largest sugar refiner in the United States, alone refining nearly one-third of

the country's total output. It has six refineries of immense size and capacity, located in Brooklyn, Jersey City, Boston, New Orleans, and two in Philadelphia. A seventh large refinery is now being built in Baltimore, at a cost of approximately $8,000,000, which will be completed toward the latter part of this year or early in 1922. All of the refineries are situated on water-front properties and are adequately equipped with wharfage, dock, railroad and storage facilities. The Havemeyers & Elder Refinery, by which name the Brooklyn plant is known, is probably the largest sugar refinery in the world, covering over six city blocks and having a daily capacity for melting over 4,000,000 pounds.

Cuban Holdings

Through purchase in 1919 of the entire capital stock of Central Cunagua, a Cuban corporation, the company has large raw sugar properties in Cuba. The factory of Central Cunagua is of the latest type of construction and the whole plantation is conceded to be one of the most complete raw sugar producing properties in the world. Over 100,000 acres of virgin land are owned in fee and in 1920 it had the third largest output in Cuba, producing 552,121 bags of raw sugar. Since the investment in Central Cunagua was made, about 200,000 acres of land adjoining the original holdings have been acquired in fee and plans have been laid for the construction of a companion plantation with an annual capacity of 600,000 bags, to be known as "Central Jaronu." Central Cunagua owns 60 kilometers of standard gauge railroad and 90 kilometers of road is being built for Central Jaronu; 540 steel cane cars and 24 locomotives are already on the ground.

Net profits of Central Cunagua, covering the 1919-1920 Cuban crop, after reserves for depreciation and improvements, amounted to $5,377,971, all of which has already been invested in Cuba. During the past year Cunagua increased its authorized capitalization by $10,000,000, half of which has already been issued and purchased by American Sugar. All additional capital requirements of Central Jaronu are being taken care of out of Central Cunagua's earnings and loans made by the parent company.

Beet Sugar Investments

The company owns $16,461,900 par value of stocks in the following beet sugar companies:

Continental Sugar Company...	$935,400
Great Western Sugar Company—	
Common	3,649,600
Preferred	5,159,200
Iowa Sugar Company.........	416,500
Michigan Sugar Company—	
Common	1,757,400
Preferred	2,043,800
Spreckles Sugar Company.....	2,500,000
Total	$16,461,900

These stocks owned represent part of large holdings acquired years ago and held solely as an investment. In 1920 total income received from investments amounted to over $4,000,000.

TABLE III.—COMPARATIVE BALANCE SHEETS.

	December 31, 1920.	December 31, 1913.
Current assets:		
Cash	$8,830,938	$17,567,855
Liberty Bonds	14,371,999	....
Accounts receivable	12,546,854	3,011,793
Customers' acceptances	1,897,912	....
Loans	3,823,911	1,780,000
Accrued income	784,968	587,069
Prepaid accounts	2,339,255	286,010
Inventories	45,405,155	17,713,730
Total current assets	$90,009,923	$40,096,066
Current liabilities:		
Accounts and loans payable	$6,889,126	$2,838,467
Bills payable	27,150,000	....
Dividends payable	1,508,449	1,595,517
Total current liabilities	$35,587,575	$4,433,984
Net current assets	54,422,348	36,492,082
Real estate and plants (depreciated)	51,322,190	49,844,111
Investments	30,283,558	32,214,000
Total net assets	$136,028,096	$118,550,802
Available for:		
Preferred stock	$45,000,000	$45,000,000
Common stock	45,000,000	45,000,000
Sundry reserves	33,562,232	10,321,377
Surplus	12,465,858	18,229,425
Total capital and surplus	$136,028,090	$118,550,802

Cooperage Operations

The cost of the barrel has been one of the most important items in the distribution of sugar and the company, accordingly, maintains its own lumber tracts and cooperage factories. A total of 225,148 acres of timber lands are owned in fee and the timber rights are owned on 95,978 additional acres, located in the Adirondacks, South Carolina, Louisiana, Missouri and Arkansas. In all the total standing hardwood timber is estimated at over 1,089,000,000 feet, sufficient to cover requirements for a period of twenty to twenty-five years. These timber lands amount to about 500 square miles and are served by 113½ miles of railroad owned by the company. Barrel factories have an annual capacity of more than 7,000,000 barrels. The company has extensively taken up the reforestation of its lands on a large scale and considerable progress has been made in this direction.

Product

The company produces the well known "Domino" brands of sugars. Hundreds of thousands of dollars have been spent in nationally advertising "Domino" products and today the name is generally regarded as signifying "par excellence" in sugar products. Over one hundred different grades and packings are offered for sale. The yearly output of the company in sugar and syrup amounts to over 80,000 car loads—coupled together they would make a train nearly 600 miles long stretching from New York to Cleveland.

Capitalization and Dividends

The company has outstanding $90,000,000 capital stock divided into $45,000,000 7% cumulative preferred and $45,000,000 common. There is no funded debt. The company has never had to do any additional financing, having taken care of its entire development and expansion out of earnings. In its thirty years of existence the preferred dividend has always been paid regularly and without interruption and, with the exception of the year 1900 when 6½% was paid, there has never been a year in which the common stock has not received at least 7%. (See Table I.) This thirty year period embraces three panic years and has been of sufficiently long duration to demonstrate that the company is thoroughly seasoned and able, in the long run, to operate on a satisfactory basis, almost irrespective of general business conditions. In fact, in 1893, a panic year, the largest dividend ever paid on the common stock (22%) was disbursed.

TABLE II.—COMPARATIVE STATEMENT OF INCOME.

	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920
Profit from operation	$3,077,143	$8,834,201	$4,432,262	$1,015,853	$2,791,050	$2,991,466	$9,756,879	$10,055,291	$6,861,484	$10,282,862	$1,882,438
Interest on loans and deposits	398,862	520,396	584,707	894,204	934,330	880,609	792,991	1,006,002	687,845	663,441	313,292
Income from investments	2,273,473	3,241,106	2,422,084	2,274,931	1,627,650	2,312,646	2,905,737	3,129,949	5,208,693	4,314,096	4,289,186
Net profit from investments	630,823	1,467,351	49,077	......	786,359	......	248,336	21,545	35,265	......	......
Adjustments	......	......	1,816,652	908,280	707,179	685,471	......	......	......	......	2,417,086
Total income	$6,380,301	$14,063,054	$9,304,782	$5,088,268	$6,846,568	$6,870,192	$13,703,443	$14,212,787	$12,587,487	$15,260,619	$8,822,002
Less:											
Depreciation, renewal and replacement	$807,967	$2,419,483	$1,087,855	$1,127,768	$821,113	$790,305	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Sundry reserves	700,000	4,190,272	688,832	856,731	924,114	481,907	3,383,562	4,000,000	2,153,111	3,821,945	10,195,812
Dividends declared	6,299,958	6,299,958	6,299,965	6,299,965	6,299,972	6,299,972	6,299,972	6,299,972	7,312,479	7,649,909	7,312,479
Surplus	$1,427,624	$1,173,341	$878,030	*$3,196,196	*$1,198,631	*$701,992	$2,019,909	$1,912,815	$1,121,896	$1,768,765	*$10,686,289

Earnings

Table II gives a record of the com-

pany's earnings over the past 11 years. It will be noted that while earnings fluctuated somewhat the good years have always been more than sufficient to offset the poor ones. Furthermore a very liberal policy has been followed in setting up depreciation; if the company had not been so generous in this respect the yearly surplus items would have shown up to much greater advantage. In addition the item for sundry reserves—which is set up to provide for fire insurance, employees' pensions, employees' insurance, advertising, possible losses in accounts receivable and on forward purchases of raw sugar and for contingencies—appears to be, for a large part, merely an apportionment of the surplus and not a charge against earnings at all, expenditures for insurance, advertising, etc., being included in operating expenses.

Because of the magnitude of the company's business it is always necessary to have on hand large supplies of raw and refined sugars. Consequently a rise or fall in world prices very materially affects earnings. What the company needs for most satisfactory operation is a stabilized price for raw sugar throughout the year on which it can make a normal refining profit. Every indication at the present time is that sugar prices have reached a sound level. Raw sugars are selling at a very little above their actual cost of production and the functioning of the Sugar Finance Commission, organized last February under a decree of the Cuban Government for the purpose of protecting the sugar growers and stabilizing prices, has already brought about a hardening of prices at a level considerably above the low mark of last December.

Balance Sheet

Table III shows the balance sheet as of December 31, 1920, compared with December 31, 1913. Net current assets show an increase of about $18,000,000 in the seven years. The totals of plant and investment accounts remain practically the same, although many improvements and enlargements have been made and the extensive Cuban properties, described elsewhere in this article, have been acquired.

The present financial condition of the company is sound. Cash and Liberty Bonds total over $23,000,000. In connection with Liberty Bonds it is interesting to note that this is their first appearance on the company's statement, indicating that they were purchased some time during 1920. This purchase was indeed a wise move on the part of the management instead of keeping such a large sum on deposit; interest received will be considerably greater than the rate which would be received if the funds were on deposit and as Liberty Bonds have been selling at considerable discounts throughout the entire year the purchase would probably show quite a sizable profit if the bonds were to return to par. Accounts receivable are high and it is likely that legal action will have to be brought in certain instances to obtain payment, but on that score the company has clearly defined contracts and is not apprehensive over the ultimate results of any suits it may be obliged to institute. The inventory account has been adjusted to cost for undelivered sugar sold and to market prices at the end of the year for unsold stock. As sugar prices have shown some improvement over the December lows it is even possible that inventory account may show a profit at the present time but in any event the basis at which it is taken is a fair one. On the whole the balance sheet presents a strong line up with ample cash resources and working capital. As the preferred stock is preferred only as to dividends and not as to assets both classes of stock must be regarded collectively and on this basis the equity in net tangible assets is approximately $151 per share outstanding.

Conclusion

As has been previously brought out the company has, in all probability, the worst of what could happen behind it. Sugar is not a luxury but an absolute essential in our daily diet. With indications pointing to stabilization in prices the company should be able to earn a fair return during the current year. The long and unbroken dividend record augurs well for a continuation of the common dividend at the present rate of 7% for at least another year, even if not earned and the large cash resources would enable them to be readily paid without embarrassment to the company. Another significant point to draw attention to is the strong personnel of the Board of Directors. The mention of their names and their connections is sufficient to illustrate the point.

Charles F. Adams, director Old Colony Trust Co., Boston.

Charles H. Allen, director Guaranty Trust Co. of N. Y.

Earl D. Babst, president of American Sugar Refinery Co. and director National City Bank, N. Y.

George F. Baker, Jr., president First National Bank, N. Y.

Newcomb Carlton, director Chase National Bank, N. Y., and Columbia Trust Co., N. Y.

Samuel Carr, director First National Bank, Boston.

James H. Douglas, vice-president and director Quaker Oats Co.

George H. Frazier, Brown Brothers & Co.

Edwin S. Marston, president Farmers Loan & Trust Co., N. Y.

Samuel McRoberts, formerly executive manager National City Bank, N. Y.

Philip Stockton, president Old Colony Trust Co., Boston.

Albert H. Wiggin, chairman, Chase National Bank, N. Y.

At the present time both the common and preferred stocks are selling not far from the extreme low prices of 82⅛ for the common and 97⅞ for the preferred, both recorded in December of 1920. Previous to the war the lowest price at which the common ever sold was 92¾ during the panic of 1907 and the low for the preferred was 105 in 1908. The record price for the common was 182 in 1899. The preferred issue is undoubtedly entitled to a good investment rating and at present prices the common seems to have interesting long-pull possibilities. The company's outlook is clouded somewhat by current uncertainty in the sugar market, where stabilization will have to be effected before any great confidence can be imposed.—vol. 27, p 397.

Some Promising Speculative Preferreds

A Group of Eleven Issues Yielding from 8.53% to 16.90% and Which Are Pretty Well Protected—Not a List for Widows and Orphans

By JOHN T. WINDSOR

THERE is at present a fairly large group of industrial preferred stocks available at attractive prices and returning handsome yields. While these stocks do not belong in the widow and orphan class, they appear in most cases secure enough to warrant the consideration of those in a position to take on a speculative commitment without undue risk. The element of risk in these stocks, incidentally, is considerably less than that in most speculative common stocks; while the possible profits are almost as large.

Backed up by equities in most cases greater than their present selling price, and further reinforced by a respectable earning power, these stocks now offer a good opportunity for profitable investment if held for a reasonable period. There are at least a score of such stocks on the New York Stock Exchange and other markets; but for convenience, the group in the attached table has been chosen as the most representative of the class.

So far as equities are concerned, the stocks described herewith are as sound as the so-called investment preferreds. Were the eleven companies whose preferred stocks are enumerated in the attached table to liquidate tomorrow, the holder of the preferred stock would receive 100 cents on the dollar, just as in the case of such stocks as U. S. Steel pfd., Virginia-Carolina Chemical pfd. and others of a similar character. (Generally speaking, the asset value of most preferred stocks is fixed at par and, in the event of liquidation, the holder of the preferred certificates can receive no more than par in return for his stock.)

The reader may ask: If it be true that the asset value of the gilt-edged preferreds is no higher than that of the speculative preferreds, why do the latter sell so much lower? The answer is, simply, that the earning power of the speculative issues over a number of years has not been so soundly demonstrated as in the case of the high-grade preferreds, and that there is still some question as to how they will fare in a period of depression. This is what adds the speculative element to these stocks as with any group of securities. To a certain extent, therefore, the earning power of a preferred stock and consequently the stability of the dividend rate as in the case of common stocks is one of the determining factors in their rating.

In general, the difference between high-grade preferreds and those of a lower grade is one of "seasoning." The best preferred stocks will usually be found among those which have succesfully shown their ability to pass through periods of stress. Those which are not so "seasoned" are not so certain as investment propositions and are consequently not entitled to so high a rating.

It sometimes happens that a high-grade preferred stock, through force of circumstances, will move into the class of speculative preferreds. The reverse is also true. A good example is Central Leather preferred which heretofore has always enjoyed a high investment rating. The company has recently passed through a very severe crisis and there is some question now as to the ability of the company to maintain the regular 7% dividends. The stock therefore can no longer be classed as high-grade. Thus, time and circumstance alter the character of even the best of securities.

The attitude of the investor with regard to considerations of safety, yield and profit will be the final factor in the choice of any security. Where safety is the first consideration, no speculative issue, no matter in what class it may be found, should be bought. On the other hand, where the investor is in a position to waive considerations of safety for those of yield and possible profit probably no class of security offers so many good opportunities with comparatively little risk as the better class of speculative preferreds. Many of these offer yields of 8.50% to 10.0% and more; and are selling from 10-30 points below where they will sell when money conditions change and the industrial situation definitely improves. The present certainly appears to be a promising time in which to invest a portion of one's surplus in these stocks with the expectation of eventual improvement in the general economic situation and consequently in the earning capacity of the respective companies themselves.

SPECULATIVE PREFERRED STOCKS.

Name	Pres. Div. Rate	Avg. Div. Paid Since Incorp.	$ Earned per Share 1920	Price 1911-1920 High-Low		Recent Price	Yield At Recent Price
Allis-Chalmers	7 cum.	7	21.17*	97 -32½		79	8.86
American Can	7 cum.	7	11.71	129½-73⅞		82	8.53
California Petroleum	7 part cum.	7	21.35	95½-29½		74	9.46
Cuba Can Sugar	7 cum.	7	24.69*	100½-54		64	10.93
Pierce Oil	8 cum.	3	29.82*	105½-72	(a)	72	11.11
Int. Mercantile Marine	6 cum.	3	15.00*	95½-29½	(b)	50	12.00
Pierce-Arrow	8 cum.	8	17.70	111 -61	(c)	76	10.52
Advance-Rumely	6 cum.	6 (d)	10.22	76 -19	(e)	50	12.00
Fed. Mining & Smelt.	4 F	6¼	6.62 (g)	66½-21⅛		25	16.00
Columbia Graph.	7 cum.	7	5.89	97½-52	(h)	42	16.00*
Atl. Gulf & W. I.	5 N. C.	5 (i)	(j)	73⅞-42		33	15.15*

* Estimated and based on last dividend payment; dividend questionable.
(a) 1919-1920. (b) 1915-1920. (c) 1916-1920. (d) 1919-1920. (e) 1915-1920. (f) 7% cum.
(g) before taxes and depreciation. (h) 1919-1920. (i) 1916-1920. (j) not published.

How the List Was Prepared

The following list is arranged according to the apparent safety of dividends of the respective issues. **The factors used in arranging this list in order are: character of the business and future outlook of the industry; the company's earning power in the past; and its probable earning capacity in an unsettled period such as the present.**

Columbia Graphophone preferred and Atlantic, Gulf & West Indies preferred have been included in this list. While these stocks are highly uncertain on account of the weakened position of the respective companies, at present prices they seem to have discounted adverse developments and merit consideration if only from a purely speculative viewpoint.

ALLIS-CHALMERS PFD. There are $16,500,000 ($100 par value) of this issue authorized and outstanding. There is no funded debt. The company was incorporated in 1913 and since 1914 has enjoyed an exceptionally good earning power for the preferred stock. Since 1915 this has averaged about $20 a share annually. No dividends have been or are being paid on the common stock, which is a strong point in favor of the preferred. The company makes machinery of many different kinds and its products are well and favorably known. Even the present depression has not affected its business materially. The outlook for Allis-Chalmers is favorable and, while it is a relatively new company, it has already established its position firmly. At 79 the present price of this 7% preferred, the return on the invested money would be 8.86%, an excellent yield for so sound a proposition. The stock has sold as high as 97 and should sell at least 5-10 points higher even under present conditions.

AMERICAN CAN PREFERRED. This issue consists of $41,233,300 in shares of $100 par value. There are $10,791,500 debenture bonds ahead of the preferred stock. The 7% dividends have always been covered by a satisfactory margin. The company is engaged in an essential business and is one of the two biggest factors in its line, the other being Continental Can. This stock has a better reputation than any other on the attached table but the comparatively heavy capitalization of the company up to, and including, the preferred stock entitles it, in my opinion, to a somewhat lower rating than the above. Present prices are about 82 offering a yield of 8½%.

CALIFORNIA PETROLEUM PREFERRED. This is a participating cumulative 7% issue and is outstanding to the amount of $11,343,026 in $100 par value shares. The stock

is somewhat unique in that it shares prorata with the common stock on all dividends above 7% paid on the latter. Since 1919, $1,000,000 preferred stock has been called in through the sinking fund. Up to 1920 the stock did not enjoy a high earning power but it is likely that the future will be different. The company enjoys exceptionally good market for its products as in fact do most California oil companies. New development work is steadily being pushed and the company should be an important factor in its field for many years. At 74, the current price, the stock returns about 9½%. It can be recommended as being among the better class speculative investments.

Cuba-Cane Sugar Preferred. There are 500,000 shares of 7% cumulative preferred stock outstanding in shares of $100 par value. Ahead of this issue is $25,000,000 convertible debenture bonds. The company was incorporated in 1915. Earnings on the preferred stock have averaged over $17 a share in the five-year period 1916-1920. The company is one of the largest in the sugar business and owns very extensive properties and adequate machinery and technical devices necessary to carry on such a large business. While the sugar industry is under a cloud just now there is no reason to believe that this will not be overcome within a year at the latest. Even such a long period of depression should not affect the dividend position of the preferred. Its financial position is excellent and at the end of 1920 showed about $20,000,000 in cash. This stock seems really cheap at present levels and returns the high yield of over 11%. The stock is now selling at about 60 compared with a high of 100. At the present price, all things equal, it should offer an almost sure profit with improvement in the general investment situation.

Pierce Oil Preferred. The company has no funded debt. Authorized and outstanding preferred stock amounts to $15,000,000. The stock is cumulative and pays 8% per annum. It was created in July, 1919, for the purpose of retiring outstanding debentures and other obligations. The preferred stock has a very high earning power as shown by figures for 1919 and 1920 when the company earned $18.34 and $29.82 a share respectively. The stock is convertible into class "B" common stock at par, the par value of the latter shares being $25 on the basis of four shares common for each share of preferred. Current quotations for the preferred stock are about 72 with a yield of slightly over 11%. The company is a well-rounded concern, has an efficient management and is one of the most substantial among the smaller oil companies. The stock has sold as high as 105¼ and present prices are the lowest in the history of this issue.

International Mercantile Marine Preffered. There are about $45,000,000 bonds ahead of the preferred stock which is outstanding to the amount of $51,725,500 ($100 par value). The company is a typical war-product, although it was in operation some years before the outbreak of hostilities. During the pre-war period, the company never earned much on the preferred stock but in the period 1915-1920 average annual earnings amounted to about $30 a share. There are 42% back dividends due on this issue but the present state of the shipping industry is such as not to hold out much hope for the payment of these dividends for a considerable period. Last year the company earned about $15 a share on the preferred stock as against $25 a share in the year before. It is probable that this year will see a further decline in earnings but that should not jeopardize the regular dividend rate of 6%. The stock is a true speculative preferred but is selling at prices low enough to warrant consideration.

Pierce-Arrow Preferred. The company has no funded debt and the preferred stock issue is very small amounting to only 100,000 shares of $100 par value. Since the incorporation of the company in 1916, a good showing has been made each year on this stock. Earnings since 1916 have averaged about $29 a share. Last year earnings amounted to $17.70 a share against the regular dividend rate of $8. Since 1916 earnings have progressively shown a decline but even in what appears to be a prospective period of poor earnings for the automobile industry as a whole; the company should be able to cover its dividend requirements. The stock has declined from a high of 111 and at present prices of about 76 returns a yield of 10½%.

Advance-Rumely Preferred. The company has a small funded debt amounting to $962,000 in 6% debentures. There are 125,000 shares of preferred stock ($100 par value) outstanding. The stock is cumulative and pays 6%. Following the reorganization of the company in 1915, the company has made steady progress. Earnings on the preferred stock have ranged from $2.27 a share to $19.21 a share. In 1920 earnings amounted to $10.22 a share. The initial quarterly dividend of 1½% was paid January, 1919, and has since been continued. The company is an important manufacturer of agricultural machinery and while it is affected by the present agricultural depression, it seems to be in a position to continue the present rate of dividends on the preferred stock, unless the depression becomes unduly prolonged. The stock has sold as high as 76 and now sells at 50 where it returns a yield of 12% flat.

Federal Mining & Smelting Preferred. The company has no funded debt. Authorized and outstanding preferred stock amounts to $12,500,000 ($100 par value). The stock is cumulative and the regular rate is 7%. During the period 1918-1920 average annual earnings on the preferred stock amounted to $7.32 a share and in 1920 earnings amounted to $6.62 a share. The company will probably earn considerably less this year owing to the metal and smelting situation. Dividends of only 1% quarterly are being paid and accumulated dividends now amount to 15½%. The present dividend rate is not secure but at 25, the present selling price of the stock, it seems to have discounted even the possible passing of the dividend.

Columbia Graphophone Preferred. There are $6,000,000 8% gold notes and $250,000 purchase money obligations ahead of the preferred stock which is outstanding to the amount of $9,883,771 ($100 par value). The stock is cumulative and pays 7%. Since 1914 the company has shown an average annual earning power of about $20 a share. Last year, however, the company failed to earn its regular preferred dividend requirement. The present financial condition of the company seems involved and it is possible that there may be some financing. However, this issue is selling so low that it would seem to have discounted the most that could happen. At present prices of about 42 it deserves consideration.

Atlantic Gulf & West Indies Preferred. There are about $25,000,000 funded debt, including that of subsidiary companies, ahead of the preferred stock. Authorized preferred stock is $20,000,000 of which $13,742,900 ($100 par value) is outstanding. This issue is non-cumulative and pays 5%. The regular 5% dividends have been maintained since 1915. The financial position of the company at present, however, seems to be involved and it is believed that the preferred dividend is in a very insecure position. The stock, however, which is now selling at about 33 seems to have fully discounted the unfavorable condition of the company and offers fair possibilities at this level.

A REMARKABLE PHENOMENON

The law requires all single persons whose incomes are $1,000 or more per annum or $2,000 if married, to file personal income tax returns. Under this law approximately four and a half million persons reported for 1918, a prosperous year in which it is fair to assume the number reporting was about maximum.

The American Automobile Associatoin estimated in 1919 that there were 7,523,644 automobiles and trucks in operation in the United States. If we eliminate 523,644 to cover individuals and business organizations who own more than one automobile or truck, we have a fair approximation of the number of individual car owners, viz.: 7,000,000. The association places the average cost of all automobiles and trucks at $1,000 each. Figures for 1919 are used because, presumably, most of the cars bought during this year were paid for out of 1918 savings.

Now compare the figures in the two preceding paragraphs. There are about 4,500,000 persons making income tax returns and 7,000,000 persons owning and operating cars at an average original investment of $1,000. This shows that there are 2,500,000 more individual car owners than personal income taxpayers. It would not be fair to say that there are two and a half million owners of autos who are tax evaders, but the above figures justify the assumptions that many car owners do not make tax returns, or else that they have discovered a way to live and at the same time own and operate a car on less than $1,000 income if single or $2,000 if married. We leave our readers to decide which is the more probable.—*The Wire Message* (Habirshaw Electric Cable Co.).

Texas & Pacific Land Trust

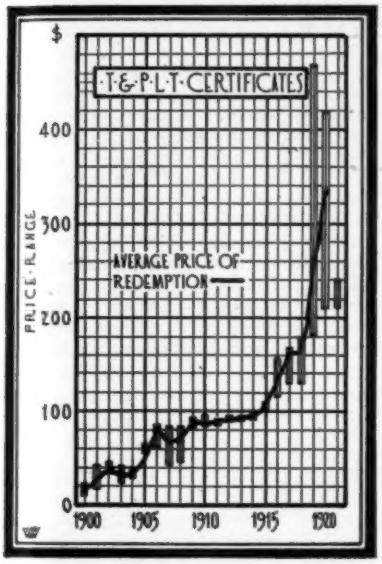
A Unique Long-Pull Speculation

Rate of Certificate Redemption Against Land Reduction Indicates Very Large Ultimate Value for This Security—Buyer May Have to Forego Income

By J. WILSON THORNE

THE Texas & Pacific Land Trust certificates represent an unusual speculative opportunity — decidedly tinged with investment qualities—for investors of means who can afford to wait a few years before their investment bears fruit. The certificates are unique. Practically, they are a liquidating proposition.

The main business of the Texas & Pacific Land Trust is the disposal of lands formerly owned by the Texas and Pacific Railway. These lands were acquired by the Trust in 1888. They are located in the western part of Texas and are used mainly for grazing purposes. Ever since the trust was formed, the lands have been in the process of liquidation through sale to individual ranchers and others interested in the livestock business.



What a Buyer Gets

By purchasing one certificate, therefore, the buyer acquires an equity in the lands owned and controlled by the trust. There are now outstanding $2,301,000 certificates against $10,369,410 originally outstanding. Acreage owned amounts to 2,032,653 against 3,450,642 originally held. At the present time, entirely apart from the liquid assets of the trust consisting of cash, bills receivable, etc., the outstanding 23,010 certificates have an equity of 88⅓ acres apiece. This property last year sold at an average of $6.77 an acre. Assuming this value, the 88⅓ acres would be worth $574. Inasmuch as the certificates are currently quoted at about 245, the profit possibilities are very apparent.

As a matter of fact, the investment is even more attractive than this so far as potential profit possibilities are concerned. Over a number of years, the trustees have been redeeming and cancelling the certificates at a much more rapid rate than land holdings were reduced. Since 1888 certificates have been reduced about 78% while land holdings were reduced only 41%. In other words, the equity behind the certificates has been increasing all the time and will continue to increase as long as the rate of certificate redemption of the past few years is maintained.

The Increasing Equity

If the rate of redemption and land reduction of the past few years is carried on further and it is most likely that this will be the case, the holder of the certificates will find himself owning an equity not in 88⅓ acres as at present but in considerably more. For example, during the past five years, $865,401 par value certificates were redeemed and cancelled and at the same time 229,654 acres of land were sold. This left 2,032,653 acres of land against 23,010 outstanding certificates. Assuming certificates and land reduced in about the same proportion during the next five years, this would leave 14,356 certificates holding complete equity in 1,802,999 acres of land. This figures out to about 125 acres of land to the certificate.

TEXAS & PACIFIC LAND TRUST.
Land Sales.

	No. of acres	Average price per acre
1900	41,781	$2.37
1901	65,372	2.50
1902	29,859	2.58
1903	29,888	2.55
1904	19,923	3.11
1905	131,584	3.50
1906	258,720	4.38
1907	64,187	5.01
1908	206,576	4.89
1909	98,617	4.92
1910	50,377	4.92
1911	39,526	4.62
1912	18,484	5.09
1913	36,750	4.81
1914	14,472	5.28
1915	58,367	6.79
1916	67,765	6.58
1917	50,080	8.06
1918	17,563	6.58
1919	50,708	7.48
1920	43,748	6.77

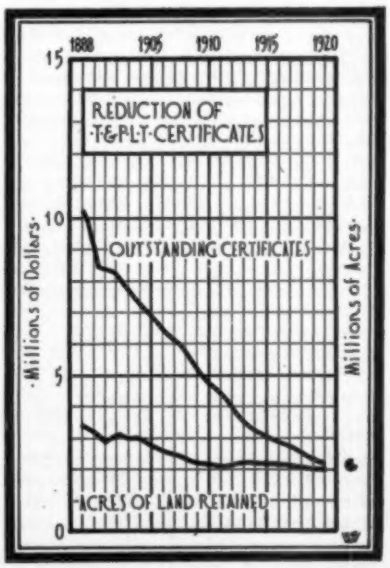
Not only in the past has the number of acres to the certificate increased, but the value of the land itself has shown a marked tendency toward increase. In 1900, the trust was getting an average of only $2.37 for the land which it sold. Last year, it received an average of $6.77 an acre. In the years to come, the land is likely to appreciate in value still further although it is possible that in the next year or two, owing to the agricultural and live-stock situation, land values in western Texas may decrease somewhat. This development, however, should prove only of temporary importance as the broad trend of land values in western Texas is up and has been so for many years.

The holder of Texas & Pacific Land Trust certificates profits doubly. He gets not only the benefit of increased acreage per certificate on account of the more rapid reduction of certificates than land holdings, but the benefit of increasing land values. In a word, the longer the investor holds on to his certificates the more acres they represent and the more the acres are worth. This is a very desirable combination.

As to Dividends

Since the time when the trust was first formed in 1888, the trustees have consistently followed a policy of "no dividends," preferring to utilize the funds accruing from the sale and rental of lands for the purpose of retiring outstanding certificates. Like any other purchaser, it has gone into the market from time to time and purchased its own certificates which were later retired.

In the early years, 1900-1910, the certificates sold at a comparatively low price, fluctuating between $11 and $80 a share. The trustees took advantage of these low prices and cancelled considerably more than they found it possible to cancel during more recent years. As the certificates become more valuable, they are not so easily purchasable and it may be assumed that the rate of retirement will gradually become smaller. Eventually, it is possible that the certificates will become so valuable that it will no longer be profitable to apply income to their redemption, in which case the income will probably be used for dividend purposes. This is not likely within a few years, however, except in one contingency and that is the discovery of oil on the trust's properties.



(*Continued on page* 942)

Allis-Chalmers Mfg. Co.

A Real Industrial Come-Back

Reorganization of Allis-Chalmers Has Put Company in Strong Position—Business Outlook Good

***By* C. L. JAMES**

THE Allis-Chalmers Manufacturing Co. is a notable example of the possibilities contained in a thorough reorganization of a concern whose business has grown out of proportion to its working capital. Perhaps no other industrial company has scored such a remarkable "come-back."

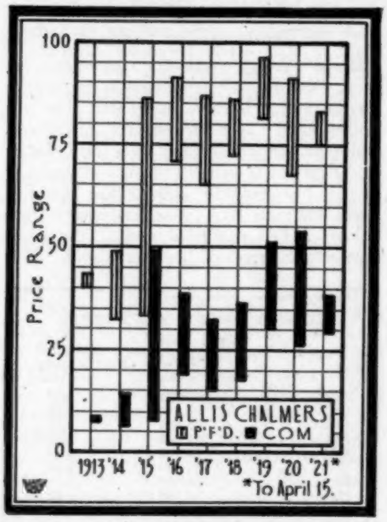
In 1912, anticipating the heavy sinking fund charges beginning that year for the retirement of its bonds, and because its working capital proved inadequate to efficient handling of its business, this concern defaulted on the coupons due January, 1912. In the following March, a plan of reorganization was drawn up and agreed upon by the bondholders' and stockholders' committees. This plan involved radical changes in the corporate structure; but that it was wisely conceived has been well borne out by the excellent results of the past few years.

Conditions Before Reorganization

At the time of reorganization the outstanding capitalization consisted of $11,148,000 first gold sinking fund 5's which constituted the funded debt; and $16,050,000 7% cumulative preferred stock together with $19,820,000 common stock, making a total outstanding capitalization of $47,018,000 exclusive of $1,170,000 preferred and $700 common stock of the Bullock Electric Mfg. Company which was not disturbed by the reorganization.

To affect the reorganization properly it was realized that a drastic reduction of fixed charges was necessary. There was no hesitation about making this reduction. The company's entire bonded debt was wiped out. This was accomplished by giving the holder of each $1,000 of the first gold 5s the following: $1,000 in new preferred stock, $350 in new common stock, and the payment in cash of the $25 January coupon, Thus, the bondholders were not required to make any cash payment, the assessments being levied upon the stockholders. The old preferred stockholders were assessed $20 for every share of stock (par $100) in their names, and upon payment of this amount received $20 in new preferred stock and $90 in new common. The common stockholders, on the other hand, were assessed $10 for each share of stock held (par $100) and for this they received $10 in new preferred and $35 in new common.

During 1911 the first gold 5s declined from a high of 79 in May to a low of 49¾ in December; while the preferred declined from 33½ in May to 6⅝ in December, and the common from 9¾ in May to 1⅛ in December. In 1912, after the news of the defaulting on the bonds was out, the bonds rose steadily from 52 to 67¼ and kept well above the low of the previous year for the entire period. The stocks, on the other hand, due to the assessments did not do so well and declined to new lows. The assessments were made payable in five instalments; and upon final settlement, the voting trust certificates were listed on the New York Stock Exchange in November, 1913. It was not until March, 1918, that thisvoting trust expired and the capital stock was listed.



It is interesting to note that, in the third year from the time of the exchange of securities, bonds purchased even at the high prices of 1911 could have been sold out at a profit, and also the holders of the stocks could have obtained a substantial profit even after deducting the assessments paid.

The Company's Business

The reorganized company, that is the present Allis-Chalmers Manufacturing Company, was incorporated in March, 1913, under the laws of Delaware as successor to the old Allis-Chalmers company, and this present company controls the Bullock Electric Manufacturing Company through ownership of its entire capital stock, and practically its entire issue of bonds.

This concern is primarily a manufacturing company and as such has a very diversified line of business. Before reorganization, the company had several plants located at Chicago, Milwaukee and West Allis. The present policy is to concentrate the work and thereby increase the efficiency and reduce waste and lost motion. The principal plants are now located at Milwaukee and West Allis; while the plant of the Bullock Electric Manufacturing Company is situated at Norwood, a suburb of Cincinnati. At this latter are produced electric motors, generators and apparatus of various types.

The products turned out by the company have been in great demand and are more or less standard in design. The air brakes and air compressors, the steam, gas and oil engines are of types which meet the needs of business at large, although any design can be made which the trade requires. The company also produces large quantities of mining, power-transmission and pumping machinery together with steam and hydraulic turbines and various other equipment and apparatus. One of the departments which showed a substantial growth was the farm tractor department, and it was stated that the company had enlarged its main works at West Allis to accommodate this tractor production.

The outstanding capitalization at the beginning of the present year consisted of $16,500,000 7% cumulative preferred and $25,770,750 common stock, or a total of $42,270,750 outstanding. This compares most favorably with the total of $47,018,000 before reorganization when we realize that over $5,000,000 cash was paid into the reorganized company. The preferred was entitled to cumulative dividends at the rates of 5% in 1913 and 1914; at 6% in 1915 and 1916; and the full 7% since 1917. All the cumulative dividends on this preferred have been paid and the common

(*Continued on page* 943)

ALLIS-CHALMERS MFG. CO.

Year	Net Income	Preferred Stock % Earned	Preferred Stock % Div. Pd.	Common Stock % Earned	Common Stock % Div. Pd.
*1913	$755,125	4.77	..	...	..
1914	† 25,068	...	..	...	..
1915	1,078,352	6.80	3	0.49	..
1916	3,165,020	21.48	9	8.59	..
1917	4,010,490	26.02	10½	11.37	..
1918	4,625,867	28.56	10	11.62	..
1919	3,599,714	22.24	11	9.57	..
1920	3,564,248	22.00	7	9.40	2

* For period from April 16 to Dec. 31. † Deficit.

Answers to Inquiries

AMERICAN BEET SUGAR

Depends on Sugar Price Course

As the fiscal year of the American Beet Sugar Company ends March 31, the annual report of this company has not yet been published. The net profit on sugar sold up to January 31 amounted to $1,260,000. The final showing for the fiscal year ending March 31 will depend largely upon how much of the 1,077,000 bags of sugar in the company's hands on January 31 last, has been disposed of. If the company charges off the shrinkage in the market value of its carry over against this year's earnings, the result is likely to be a deficit.

The directors of the company recently passed the regular quarterly 2% dividend on the common shares of the company and the immediate outlook for the earnings of the company is not sufficiently good to warrant the opinion that an early resumption of dividend payments will be made. While the current quotations for the stock are, comparatively speaking, very low, still we see no encouragement to buy this security; and the only chance the stock has of enjoying any sustained recovery, would seem to come from a better demand for sugar and higher prices.

CANADIAN PACIFIC

Should Improve Eventually

During the past two years the earnings of this company have been sufficient to meet the dividend payments on the common stock, though the margin of safety has not been large. For the year ending December 31, 1920, the company earned, after payment of taxes and charges, $32,844,083, which after the payment of dividends on the preferred issue were equal to $11.39 a share on the $260,000,000 common stock outstanding as compared with $10.80 a share earned on the common during 1919. Of the total earnings 1920 available for the common stock special income provided for $4.22 a share, while $7.17 came from railway lines and lake steamers. There was added to surplus account $3,616,806.

Canadian Railroads are under the same influences that prevail in the United States so far as high cost of labor and materials are concerned, and when wages come down, this road ought to make a much better showing eventually. Canadian Pacific is very much under capitalized and its equities are relatively better in proportion to cost price than a good many other railroads of similar high standing. Canadian Pacific if held for investment is an attractive issue to hold for a long pull, because we believe that depressed conditions will be remedied in course of time, and even though the stock might sell somewhat lower, we do not believe that the dividend is likely to be interfered with, consequently your income will remain the same, regardless of market fluctuations. If the stock should decline substantially lower, we would consider Canadian Pacific an investment bargain.

AMERICAN CAN

A Good Speculation

For the year ended December 31, 1920, the annual report of the American Can Co. showed a surplus after charges and Federal taxes of $4,830,918. After the deduction of preferred dividends, this was equivalent to $4.71 a share earned on the $41,233,300 common stock. The company's showing during 1921 about fulfilled expectations. Since 1914 the company has put $21,600,000 back into property or to surplus earnings, while its working capital during that period has been increased by $18,093,000 and the debenture bonds have been reduced by $2,600,000. The company has outstanding claims against the U. S. Government arising from munition contracts, and the profits of this transaction have not been included in the company's earnings statement.

While the outlook for the current year is good, inventories stand at a rather high figure and talk of dividend payments on the common stock may not be justified on this account. The common stock of this company may be considered as a good speculation, but until a change occurs in the general situation, which will permit of a forward movement of security prices as a whole, not much improvement in the value of this issue need be anticipated.

ATCHISON, TOPEKA & SANTA FE

Improvement Expected

An estimate of Atchison, Topeka & Santa Fe's income for 1920 shows that it covered 5% on $124,173,700 outstanding preferred and 6% on $222,873,500 common, with approximately $15,664,933 left over.

Estimated surplus for 1920 was $35,246,028 as against $43,098,657 in 1919, the difference resulting principally through the item of "other income." This in 1919 amounted to $15,100,115, which, as explained by the company, did not reflect a normal year's showing but constituted a record of income credits applying in part to prior years, received or determined during 1919. Other income for the four years preceding 1919 averaged around $4,000,000; and for purposes of determining 1920 figures, it was estimated at $4,500,000. This alone caused a difference of approximately $10,000,000 between the 1919 and 1920 surplus.

After deducting 5% for preferred from the 1920 surplus of $35,246,028 there would be left 13% on the $222,873,500 common stock outstanding. This compares with 16% which 1919 showed with a $10,000,000 greater "other income" item.

This company is only earning its dividend by a very slight margin at the present time and present conditions of railroading are by no means favorable. Of course, Atchison is one of the leading railroad securities and in the years gone by it has had a very good record. A year or two of present conditions would naturally seriously interfere with the safety of its dividends. We anticipate improvement, however, and would hold the stock.

ARMOUR & COMPANY

1921 Should Be Better Year

During the year 1920, as was the case with the entire meat packing industry, it was impossible for this company to operate at a profit. While the company's sales approximated $900,000,000 there was left out of this enormous total a net return of only $5,319,975, which represented but 2.4% on the company's investment of $231,000,000.

However, with inventories written down to correspond with current prices, and a wage readjustment accomplished, together with many improvements made in the company's plants during the past year, it is believed that the net return will be very satisfactory during 1921 and more closely measure up to the company's performances of the past. The coming months should show a brisk business and satisfactory profits.

CANADA COPPER

Has No Apparent Value

The status of this company will be clear from the following summary of its bonds:

The company has outstanding three issues, namely 1st 6s 1928, debenture 6s 1924 and debenture 7s of 1921.

In connection with the first two, on December 24, A. H. Muller & Sons sold at auction $9,300 for $1,000. They also sold $1,500 par value of the 6s of 1924 for $150 the lot. On January 5 last brokers offered a $1,000 bond at 43, but did not receive a bid. In connection with the 7% bonds of 1921, there is no bid or offer. We understand that transactions in some of these bonds recently took place at about 20.

It looks as though the stock has not any present value. The high producing cost together with the lack of demands for copper has played havoc with this as well as many other copper companies. Quite recently, Anaconda, Chino and other companies closed down their mines for lack of demand. The last official quotations we have for the 6% bonds of 1924 were 35-45 and for the 1928 issue, 50-60, but we doubt whether one could sell for this figure. At present, the stock has no apparent, real value.

CENTRAL PACIFIC FIRST MORTGAGE 4s—1949

A Good Switch from Sou. Pac. Bonds

The situation as to price of these bonds around 72½ is somewhat peculiar. Central Pacific 3½s sell around 77¼ although

(Continued on page 955)

The Bond Market

Bond Market Discounting "Easier Money"

Mounting Federal Reserve Ratio and Large Gold Imports Contribute to Improved Sentiment—The Weakness in Pennsylvania Railroad Bonds

By **H. I. PERRINE**

THE chief topic of discussion in investment circles recently has been the possibility of lower money rates in the near future. Bankers have been watching with great interest the increasing supply of funds available for loan on call, the effect of same on the rates for call money, the improved federal reserve bank statements, the heavy shipments of gold to this country since the first of the year, the gradual loosening up of the time money market, and the slightly easier tendency of commercial paper rates. All of these factors have a definite bearing on the future trend of security values and their importance as barometers cannot be overestimated. A discussion of these various factors does not seem out of place here, therefore, and should prove interesting if it gives any clue as to the probable trend of the investment market over the course of the next few months.

Call Money Rates as an Index

Of all the above factors the lowering call money rates have given rise to the most discussion. Recently call loans renewed at as low a rate as 5½%, which was the lowest since the latter part of October, 1919, at which time money renewed at 5%. Outside the exchange there was an abundant supply of call money available at a rate of slightly lower than 5%. Naturally, this slightly easier tendency of call money rates was looked upon as a favorable sign for easier money all around.

Too much importance, however, should not be attached to this class of loans as a money barometer. **The rate for call money is highly artificial and is based in large part upon the supply and demand arising from speculative transactions.** It is subject to wide fluctuations over brief intervals of time and its rise and fall is significant only in that it indicates the trend of the money market in a general way.

The unreliability of call money rates as an index was clearly shown by the abrupt rise of 1½% in the rate on the day following its decline to a new low. Heavy transfers of funds by interior banks brought about the sharp reversal and furnished ample proof that the monetary condition of the country has not yet improved to a sufficient extent to justify a 5% call money market.

Time money rates afford a much truer index of the real trend of the market since they extend over a fairly long period and give a long distance view. At present there seems to be plenty of time money available at 6¾% for sixty and ninety days, but the quotation is largely nominal and the demand for accommodation is small. This indicates that borrowers at present are financing their requirements through the call money market, believing that time money rates will work easier in the near future. Only a short while ago it was difficult to obtain time money at from 7½ to 7¾% and this easier tendency may be taken as one of the best indications that better credit conditions are coming.

SOME ACTIVE BOND ISSUES.

Issue	Maturity	1921 High	1921 Low	Price April 1, 1921
Northwest. Bell Tel. 7's	1941	100	96¼	99
Bell Tel. of Penna. 7's	1945	106½	100¾	103½
New York Tel. 4½'s	1939	81½	75	81½
U. S. Rubber 7½'s	1930	101½	95¾	101
Cerro De Pasco 8's	1931	107½	104¼	107
Chile Copper 6's	1932	75	66	72
Cuban Amer. Sugar 8's	1931	102¾	100	101¼
Swiss 8's	1940	104½	102	104½
Japanese 4's	1931	65⅝	56	65¼

Turning now to the commercial paper market, which probably more than any other correctly measures the money situation, we find that rates for such paper have been affected only in a slight degree by the lower call money market. Choice paper still brings 7½%, while names not so good discount at 7¾%. With such high rates quoted for commercial paper it is useless to look for much improvement in the general credit situation. Many bankers, therefore, are watching the trend of commercial money rates with the greatest care and are basing their activities on the same. They feel that no real progress can be made along the line of reducing the cost of credit until the rates on commercial transactions work considerably lower. This can be brought about, they feel, provided the Federal Reserve Bank ratios continue to rise and the imports of gold continue.

The Basic Factors

It is these two latter items, therefore, that are now receiving the most attention from the banking element, and the improvement that has been registered in the Federal Reserve showing of these two items has been the cause of no little satisfaction. Large gains have been made week by week in the total gold reserves of the bank and they now stand at the highest mark for a number of months. Furthermore, there are no signs as yet of any falling off of the heavy shipments of gold to this country from abroad. Then, too, the reserve ratio of the combined banks has been steadily climbing and is now well above 50%, as compared with 43% a year ago. It is in the showing of these two items that bankers are placing their hope for a sustained improvement in the credit outlook; and judging from the progress that has been made thus far it does not seem improbable that lower money rates will soon come to stay.

This expectation of an improved credit condition has naturally had a favorable effect upon the general bond market and has been reflected by a rising price tendency throughout the list. **While there has been no pronounced advance in any one section of the list, still the action of a number of individual securities indicates that accumulation is going on and that investors are beginning to take advantage of many of the bond bargains now available.** The buying of short term notes has been particularly heavy during recent market sessions, especially among those issues that mature in from one to two years. Price advances of these notes were negligible, but the heavy turnover in them may be taken as a favorable indication since it implies that bankers and others who buy this class of security are convinced that the rates for commercial paper cannot hold up much longer and that they should therefore place their funds in the short term market at the present high rates.

Long term bonds of good standing have also been in fair demand and their price movement has been definitely upward. Many of these bonds are now quoted on such an attractive yield basis that they are almost certain to draw the attention of investors. Such bonds have come into competition with the many new issues that have been floated, but there is a certain class of investor that always gives preference to the older issues even at the

sacrifice of yield and it is this type of purchaser that has been picking up the so-called old line bonds.

Good Market for New Issues

The demand for new issues has continued good and the market for these bonds has been well maintained. New financing has not been in very heavy volume and consequently the market has been able to absorb new issues with little trouble. Dealers have had an opportunity to clean their shelves of much of the accumulation of the past two months and are said to be in excellent shape to handle new offerings. It is very probable, however, that bankers will be inclined to go slow in the matter of new offerings since the experience of last January and February is still fresh in their minds and they will not be likely to spoil a good prospective bond market again with a flood of new issues as was the case then. In this connection the new Burlington financing is being looked forward to at this writing with a great deal of interest, as it is expected to give a strong stimulus to the general market.

As regards individual issues some of the price advances have been quite remarkable. This is particularly true of the copper group, where the buying has been brought about by the conditions peculiar to the industry. With practically every leading copper producing company shut down, with the metal selling at the pre-war level and well below the cost of production, and with dividends on the copper stocks either reduced or suspended altogether, it is realized that all the bad news is out and that prices of copper securities cannot logically decline much further. A further decline in the price of the metal seems equally unlikely and there is no doubt but that the strength of some of the copper bonds has been in recognition of this outlook. The 6% and 7% issues of the CHILE COPPER COMPANY have been heavily dealt in and have scored substantial advances. The CERRO DE PASCO 8s have also been in great demand and recently advanced several points to the high point of the year. The buying of these latter bonds have been very noticeable in recent market sessions and their sharp advance has justified all that has been said of them lately.

U. S. Realty Bonds Strong

Another strong bond has been the 5% issue of the UNITED STATES REALTY & IMPROVEMENT CO., due in 1924. These bonds only a short time ago were selling below 80. They have since advanced close to 90. The strength of these bonds is taken as an indication that they will be all retired during the next year. It is said that a large percentage of the bonds have already been bought in by the company and that the entire funded debt will soon be wiped out. They have a tremendous earning power behind them and huge assets in the form of large office and hotel buildings. A further advance in the price does not seem improbable.

Among other industrial issues the telephone bonds are worthy of comment. These issues were brought into the limelight by the favorable sentiment created through the increased dividend of the AMERICAN TELEPHONE. Not only did this action cause heavy trading and moderate price advances in the American Telephone bonds, but the buying also extended into the NORTHWESTERN BELL TELEPHONE 7s, the BELL TELEPHONE OF PENNSYLVANIA 7s and the NEW YORK TELEPHONE 4½s. All of these issues are now selling at practically their high levels of the year with no indication as yet of a falling off in the demand for them. **These telephone issues are sound investments in every sense of the word and are entitled to high ratings.** The yields obtainable on them are very satisfactory when their safety is considered.

UNITED STATES RUBBER 10-year 7½s sold up to a new high for the year in response to the very favorable annual report issued by the company. This disclosed a much stronger position than had been supposed and showed a greatly increased value behind the bonds. As a 7½% issue, well protected from the standpoint of both earnings and assets, the bond appears to be selling out of line. CUBAN AMERICAN SUGAR 8s also stood out among industrial issues and reached a new high since their issuance a few weeks ago. These bonds were brought out at par and recently crossed 102. Their strength lies, of course, in the large earning power of the company and their many attractive features including the sinking fund.

Railroad Bonds' Remarkable Resistance

Railroad bonds have held remarkably well in the face of the unsettled railroad situation and the poor earnings reports that have recently been made public. There have been one or two weak spots in the list, but the tone of the general railroad market has been strong and the bonds as a whole have shown firm resistance to selling pressure. The securities of many of the southwestern roads have been in good demand, their strength being based on the better earnings reports of these roads. The NEW YORK CENTRAL issues, particularly the convertible debenture 6s, have been pressed for sale, but the price on the same has not given away much.

The SEABOARD AIR LINE issues have also been subjected to considerable selling pressure and reached new low record levels. The PENNSYLVANIA 6½s made their "usual" new low level, but the action of the market for these bonds at the low indicates that they are nearing the bottom of the decline. By referring to the accompanying table it will be noted that all of the Pennsylvania issues have suffered in price since the first of the year, following the weakness in the stock of that road. The General 5s are off over seven points from the high of the year, while the General 4½s are down over five points. **Referring again to the Pennsylvania 6½s, it is interesting to observe that the discrepancy between them and the Chicago and North Western 6½s has now been narrowed. It will be recalled that these bonds came out at the same time as the Pennsylvania 6½s, are similarly secured, and run for a similar period. The former, however, until recently, have been selling some 4 points above the latter. They have now come down nearly half the difference.**

TREND OF PENNSYLVANIA BONDS

Since January 1.

Bond	Maturity	1921 High	1921 Low	Price Apr. 13	Decline from High
First 4's	1923	95¼	93⅝	93⅝	1⅝
Consolidated 4's	1942	84	81	82	2
Consolidated 4's	1948	85⅛	79⅞	79⅞	5¼
Consolidated 4½'s	1960	92½	85¼	85½	7
General 4½'s	1965	82⅝	77	77½	5⅛
General 5's	1968	92	84	84	8
10-Year 7's	1930	105½	100	101	4½
15-Year 6½'s	1936	100½	95¼	95½	5

Britains Feature Foreign Issues

Most of the foreign government issues have given a good account of themselves, the action of the BRITISH BONDS being especially noteworthy in face of the labor situation in that country. NORWAY 8s, SWISS 8s and BELGIUM 8s have all been heavily traded in as have also a number of the foreign municipal issues. The activity and strength of these foreign bonds are not surprising when consideration is given to the excellent yields they return at present prices. The remarkable thing is that these bonds have failed to attract the attention of the public for so long. At existing levels they yield from 8 to 9%, and it does not seem likely that they will continue to sell at the present low level a great while longer. The JAPANESE 4s and CITY OF TOKIO 5s have recently had substantial advances.

Public Utilities Strong

Public utility issues continued strong with special activity in the HUDSON & MANHATTAN adjustment 5s. Holders of this issue received on April 1, interest amounting to 2%. Since that date the bonds have remained firm and have registered further advances. The improved earning power of this company and its strengthened asset position has been responsible for the movement in the bonds. In view of the favorable outlook for the company a further rise in the adjustment bonds does not seem improbable.

Local traction issues have not been very active and are doubtless awaiting definite action on the part of the transit commission. Favorable action should be reflected in sharp advances among these issues. Among other public utilities, MONTANA POWER 5s have been in good demand. These bonds have evidently gone into the hands of those who realize the improved status of utility bonds under lower operating costs. This class of bonds, perhaps more than any other, should reflect the reduction in operating expenses since this has been the main obstacle with which public utility concerns have had to contend. A downward tendency in operating costs is now noticeable and is looked upon with great favor by holders of utility issues.

United States Rubber Co.

Which Is the Best Rubber Bond?

Question Whether Company's 5% First Mortgage Bonds Are Not More Attractive Than the Short-Term 7½s—The Mortgage Issue Recommended as a Conservative Investment

By J. R. CRANDALL

TAKE two bonds of practically equal security, one a 5% issue running 26 years; the other carrying a 7½% coupon and maturing in 10 years. At a market price of 78 for the 5% bond and 101 for the 7½%, which is the better buy? The answer is not quite as apparent as it looks.

This problem is presented in the funded obligations of the United States Rubber Company which consist of a 5% first mortgage bond, maturing in 1947, a 7½% secured note of 1930 and a 7% secured note of 1923. A consideration of the security behind these issues followed by a comparison of the possibilities of the 5s against the 7½s is the purpose of this article.

The Mortgage Indenture

The first and refunding mortgage gold 5s are dated January 2, 1917, and mature January 1, 1947. They are a direct obligation of the company and are secured by direct mortgage on the properties owned or controlled by the company or by pledge of securities of subsidiary companies. No underlying obligations may be issued by either the parent company or subsidiaries, other than $2,600,000 Canadian Consolidated Rubber Co., Ltd., 6s of 1946, already outstanding. The authorized amount of the issue is limited to the total amount of the company's full paid preferred and common stocks outstanding. Certain covenants of the mortgage, however, tending to restrict the issuance of these bonds, provide that additional bonds cannot be issued unless the unencumbered quick assets exceed the aggregate debt, including outstanding bonds; unless the annual net income for the three preceding years has been at least twice the annual interest on the entire debt of the company, etc. A sinking fund provides for the payment of 1% annually of the total amount of bonds outstanding plus those already retired, to be applied to the redemption of bonds, by tender, at not over 105 and interest. These bonds were originally issued in amount of $60,000,000 in January, 1917, for public subscription at 96¾ and at December 31, 1920, there were $58,426,800 outstanding in the hands of the public, the balance having been redeemed. In addition, $34,000,000 of this issue of bonds have been issued to the treasury of the company and are pledged against the 7½% notes and the 7% notes.

The 7½% secured gold notes are dated August 1, 1920, and mature August 1, 1930. They are a direct obligation of the company and are additionally secured by pledge with the trustee of $25,000,000 face value of first and refunding mortgage 6% Series B bonds, which are a part of the issue just described.

The 7% notes, due December 1, 1923, were issued in October, 1918, in exchange to holders of General Rubber Company debentures. These notes are a direct obligation of the company and are further secured by pledge with the trustee of $9,000,000 first and refunding 5s of 1947. These notes are authorized and outstanding in amount of $6,000,000. As they mature in about 2½ years and as we are not particularly concerned with such a short term security, only passing reference will be made to them in this article.

TABLE I.—UNITED STATES RUBBER COMPANY.

Condensed Balance Sheet as at December 31, 1920.

Current assets—	
Cash	$14,534,546
Accounts receivable	46,329,739
Notes and loans receivable	2,760,590
Inventories	123,503,030
Total current assets	$187,128,205
Current liabilities—	
Accounts payable	14,094,389
Notes and loans payable	49,405,000
Accrued liabilities	3,874,158
Total current liabilities	$67,373,547
Net current assets (working capital)	$119,754,658
Plants, properties, etc., less depreciation	160,575,410
Securities owned	12,082,162
Employees' notes secured by stock purchased	7,430,207
Prepaid and deferred items	5,384,986
Total net assets	$305,230,423
Available for:	
Subsidiary company bonds	2,600,000
First mortgage 5's, 1947	58,426,800
7% notes, 1923	6,000,000
7½% notes, 1930	20,000,000
Total funded debt	$87,026,800
Preferred stock (8% n. c.)	65,000,000
Common stock	81,000,000
Subsidiary company stock	277,200
Miscellaneous reserves (excluding depreciation)	17,891,768
Surplus	54,034,655
Total	$305,230,423

TABLE II.—NET INCOME AVAILABLE FOR INTEREST CHARGES.

	Net Income	Interest Charges	Times Earned
1911	$5,611,206	$1,261,381	4.45
1912	6,670,426	1,369,487	4.87
1913	9,714,816	2,170,599	4.48
1914	10,000,188	1,908,650	5.24
1915	11,486,704	2,790,616	4.12
1916	14,472,773	3,517,565	4.19
1917	18,458,434	3,117,857	5.92
1918	20,191,096	4,119,055	4.90
1919	21,396,088	3,665,862	5.81
1920	26,864,297	5,643,314	4.74

Practically Equal Security

Each of these issues is entitled to a high investment rating and as the two note issues are secured by pledge of first mortgage bonds it is plain that the three issues are practically equally secured. At first glance it might seem that the note issues had a slightly greater degree of security than the bonds, for the reason that in one case $25,000,000 bonds are pledged against $20,000,000 notes and in the other $9,000,000 bonds against $6,000,000 notes. However, when it is considered that the first 5s are selling at a discount of some 22 points while the 7½% notes are quoted at better than par, a purchaser of the 5s at 78 would, in the event of liquidation, have a better chance of getting the amount of his investment back than a purchaser of the 7½s at 101.

To illustrate: Assume that the company went into bankruptcy and realized from the sale of its assets only sufficient funds to pay off the first mortgage bonds at the rate of 75 cents on the $1.00. A holder of a $1,000 1st 5% would receive $750, which would represent a loss of $30 if the bond had been purchased at 78, while a holder of a $1,000 7½%, which is secured by $1,250 face value 1st 5s, would receive $912.50, a loss of $97.50 if he had bought at 101. The 7% notes which are secured by $1,500 face value 1st, 5s, for each $1,000 par value would be paid off in full. **But even the mere mention of receivership for U. S. Rubber is a waste of words. The company is probably the largest and most important concern dealing in general rubber products in the world.** An examination into the strength and earning power of this great organization is well worth our consideration.

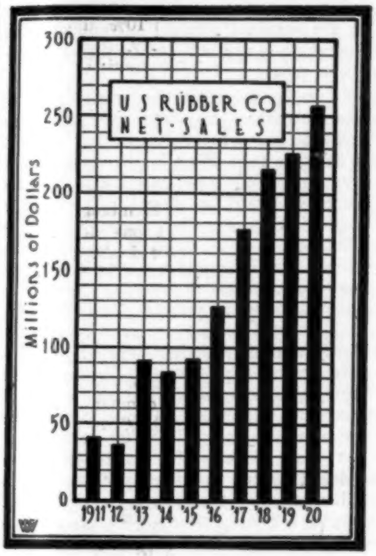
The Company's Industrial Growth

United States Rubber Company was incorporated March 30, 1892, under the laws of New Jersey to engage in the manufacture of rubber boots and rubber goods. The company has shown a most remarkable growth and today it is larger than its two nearest competitors put together. From time to time various companies engaged in the different branches of the industry have been absorbed until at the present time the company has in operation about 50 plants covering roughly 10,000,000 square feet, or 230 acres, of floor space and employing in the neighborhood of 45,000 people. During 1920 alone over $28,000,000 was expended on the plants and fixed proporeits, notably in the enlargement of the tire plants at Detroit, Providence, Hartford and Indianapolis. The work is practically completed and paid for and the company feels that these extensions have so enlarged manufacturing facilities that there will be no necessity for further expansion of plant for some time to come.

In 1911-12 the company adopted a very far-sighted policy by purchasing about 80,000 acres in the Island of Sumatra and on the Malay Peninsular, on about 44,000 acres of which more than 5,000,000 rubber trees were planted. In 1919 the company obtained about 25% of its crude rubber from its own plantations and it is expected that its completed program of 15,000,000 trees will eventually yield

more than sufficient to meet total requirements. Over 14,000 Javanese and Chinese coolies are employed.

Until quite recently rubber grown wild among the forests of the upper Amazon has fixed the world's standard of quality, and the city of Para, Brazil, the price. While the latter remains the crude rubber center, with Ceylon second in importance, plantation rubber has developed a new standard of quality, much cleaner and purer than wild rubber. Plantation rubber has the further advantage of being cheaper to produce, owing largely to the low cost of Oriental labor—15 cents a day as compared with $1.00 or more for the Brazil gatherers. The hot, steaming



climate of Sumatra, extending from 10 degrees north to 10 degrees south of the Equator, is particularly adapted to the cultivation of rubber and trees grown from seed may be tapped after the fifth or sixth year. The younger the tree, however, the smaller the yield in "latex," or sap, from which is extracted the rubber; a tree six or seven years old yielding from one-half to one pound of rubber while some of the wild trees along the Amazon, estimated at from 30 to 50 years old, will yield from 15 to 20 pounds. It is therefore apparent that the plantations of United States Rubber will continuously produce greater quantities of rubber as time goes on and that the cost of production per pound will be proportionately decreased. And with the increased yield of the trees the company's plantations will from year to year become more and more valuable.

Some of Its Products

The company, directly or through its subsidiaries, engages in the manufacture of rubber footwear of all kinds; pneumatic and solid rubber tires for automobiles, trucks and other vehicles; mechanical goods and druggists' sundries; insulated wire, and practically all other goods that are made from India rubber. The business of U. S. Rubber is well balanced, the product of footwear and of tires being about equal while the mechanical goods, druggists' sundries and other miscellaneous products make up substantially another third. The quality of the company's products combined with extensive advertising have made them popular with the general public and created a steady demand. Almost everyone knows that "United States Tires are Good Tires" and a big "U. S." on a pair of boots or rubbers stands for long wear and satisfaction.

Balance Sheet Position

The outstanding capitalization at December 31, 1920, stood as follows:

1st and Refunding 5s 1947..	$ 58,426,800
7% notes 1923	6,000,000
7½% notes 1930.............	20,000,000
Subsidiary Company bonds...	2,600,000
8% non cum. preferred stock.	65,000,000
Common stock	81,000,000
Subsidiary Company stocks...	277,200
Total	$233,304,000

The preferred stock has always paid its 8% dividend regularly and without interruption and at the present time the common is being paid at a similar rate of 8%. Based on present market prices of these stocks alone there is an indicated equity of over $126,000,000 behind the outstanding funded debt.

The balance sheet (Table I) as of December 31, 1920, shows a strong position. Cash alone amounts to over $14,500,000 and total current assets exceed the current liabilities by a wide margin. The ratio of current assets to current liabilities of nearly 3 to 1 indicates a sound working capital position.

Inventories may be rather high but this is a condition which practically all manufacturing concerns have had to face. No great trouble should be experienced by U. S. Rubber in working off these inventories in the usual course of business and owing to the strong cash position the inventory account is no cause for alarm. As these inventories stand, they have been written down $11,151,444 below cost to meet the heavy decline in prices of certain materials, notably cotton fabrics. This reduction was charged against reserves previously created in anticipation of such a decline in prices, making it unnecessary to charge off this decline against the year's earnings. The company carried over about a seven months' supply of crude rubber which is valued in the inventory at .2679 cents per pound. This price is below actual cost of production but is slightly above present quotations for crude rubber; however, present prices are decidedly artificial owing to conditions of the moment and it is self-evident that prices must advance to at least production costs with any revival in business.

Outside of the $6,000,000 notes due December 1, 1923 (a comparatively insignificant amount), the company has no funded obligations to make immediate provision for and definite announcement has been made that all expansion plans have been taken care of and no new financing will be necessary.

In considering the equities behind the outstanding funded debt we must take into consideration the fact that the two note issues are secured by pledge of first mortgage bonds. The company's obligation in first mortgage bonds, therefore, is as follows:

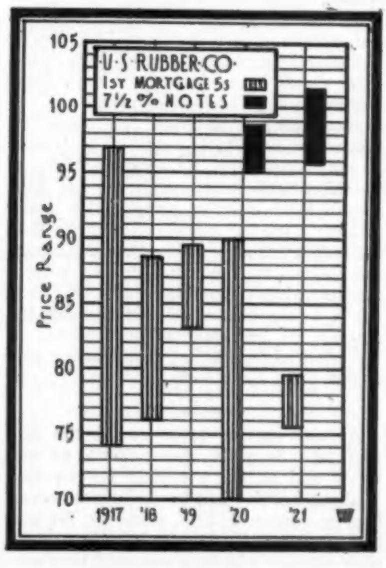
In hands of public............	$58,426,800
Pledged against 7% notes.....	9,000,000
Pledged against 7½% notes...	25,000,000
Total obligation	$92,426,800

Against these first mortgage bonds the net assets of the company, after deducting subsidiary company bonds, amount to $302,630,423. which is the equivalent of over $3,200 for each $1,000 face value of bonds, and of this figure more than $1,200 is in net current assets.

Huge Earning Power

The earning power of the company is brought out in Table II, which covers a period of ten years. Over this period there has never been a year in which the interest charges were in the slightest danger. In not a single instance were interest charges earned less than 4 times over —a most remarkable margin of safety. Contrary to the average industrial company, 1920 was the most successful year in U. S. Rubber's history. This accomplishment was made possible by the far sightedness of the management in setting aside, in former years, reserves for the inevitable shrinkage in inventories, so that when the crash finally came U. S. Rubber was prepared and had already made provision for the emergency.

It will be noted that the amount of fixed charges has been increasing each year which is accounted for solely by the



growth of the business. Enlargements and expansions have been effected which naturally caused the fixed charges to increase, but these additions have always resulted in increased sales and net profits.

The company's outlook for the future must be judged from three angles—footwear, tires and mechanical goods and specialties.

In the footwear field, due to the unprecedented war demands as well as the extreme weather conditions of a year ago, the capacity of the industry was absorbed in 1920 without undue accumulation of stocks. It is believed that with even

moderately favorable weather conditions the volume of business in 1921 will be at least normal.

Will Business Increase?

With the slowing up in the automobile industry the tire industry has been sympathetically affected, but possibly not to the extent generally supposed. At the end of last year there were over 9,000,000 registered motor vehicles in the United States. People generally fail to realize the large proportion of these cars which are used for business purposes and the relatively small number for pleasure. In fact, figures appearing in a recent issue of the MAGAZINE OF WALL STREET showed that the number of passengers carried per mile ("passenger mileage") in motor cars was considerably in excess of those carried by the railroads. To meet hard times people may wear old clothes for several years but automobiles and trucks cannot be run on bare wheels. A few weeks ago Samuel P. Colt, chairman U. S. Rubber Company, predicted that more tires would be consumed in 1921 than in 1920 or in any previous year.

The demand for mechanical goods has been rather slack, probably caused by the temerity of dealers and the adoption on their part of a "hand to mouth" policy in buying. This condition cannot continue indefinitely and it is expected that within the near future there will be a brisk demand for this class of goods, caused by the liquidation that has been going on in visible stocks.

On the whole the future for U. S. Rubber is bright. The soundness of the company is unquestionable and its potential earning power is great. Its funded obligations are secure in every respect and there should be no doubt as to their being entitled to high investment ratings.

Many people, however, have been attracted to the 7½% notes in preference to the longer term 1st mortgage 5s. As the $20,000,000 notes are secured by $25,000,000 bonds they have appeared to many to have a greater margin of security than the bonds, but as has already been brought out, owing to the difference in present market prices a purchaser of a 5% bond has a better chance of getting back the amount of his original investment, in the event of liquidation, than has the purchaser of a 7½% note.

Conclusion

At the present price of 78 the first mortgage 5s yield about 6.84% to maturity and at 101 the yield on the 7½s is about 7.30%. Let us assume, however, that by August 1, 1930, when the 7½ mature, general investment conditions and interest rates will have returned to a normal basis. Under normal conditions a bond of the character of the first 5s could be expected to sell close to par and if a purchaser at 78 was to sell at 100 on August 1, 1930, the yield on his investment would be about 8.40 as compared with 7.30 for the 7½s. If conditions had returned only about half way to normal and the 5s were selling on a 6% basis, which would be around 90, the yield on the original investment at 78 would be about 7.50. In addition a purchaser of the 5s has the advantage of owning a long term issue as against a comparatively short term one. **It is impossible for the writer to imagine that ten years hence conditions will be any worse, or even as bad, as they are now, but even if they were on the same scale as today the holder of the 5s would only sacrifice less than ¼% per annum in yield and the chances of market appreciation of the 5s seems to greatly outweigh this one possibility of greater return through a purchase of the 7½s.**

At present prices the 5s are selling close to their low level and the writer has no hesitation in recommending them as a conservative investment. To holders of the 7½s a switch to the 5s is suggested as being a profitable and wise move at current quotations.—vol. 27, p. 322.

GENERAL ELECTRIC'S 1920 LOSSES

(Continued from page 903)

650 miles of its road electrified. Results achieved have been eminently successful and are said to more than justify the capital expenditure viewed from a financial standpoint. Much of the equipment and appliances were furnished by the General Electric Company, to whose direction the successful operating results are largely credited. The company's foreign subsidiary, the International General Electric Company, obtained two important contracts last year, one for the electrification of 27 miles of road, as the initial slip in a project covering 100 miles of road, of the Paulista Railway in Brazil, and the other for about 50 miles of the Santa Catharina line also in Brazil. Both of these contracts call for considerable equipments and should add substantially to the company's profits in the coming year.

Ship propulsion offers potentialities for electrical exploitation second only perhaps to rail transportation. Two years of successful operation of the giant battleship *New Mexico*, which is fitted with electrical machinery, has removed any vestige of doubt as to the practicability and efficiency of electricity as the driving force of ships. Already vessels of the merchant marine have been equipped with electric engines and made voyages highly satisfactory in every respect. **Of course every vessel will not immediately abandon coal burning machinery, but we may look for a gradual and relatively speedy growth in the number of electrically operated ships.** Electrical equipment is being used in increasing quantity in every type of industrial factories; it is being used for the drilling of oil wells; for hoisting purposes at the mines; for the loading of coal; for smelting and refining of steel; for industrial heating and for other purposes too numerous to enumerate. To attempt to define the possibilities in electricity would be a practical impossibility. The point to remember is that the General Electric Company stands to benefit, and benefit most, from almost every new application and development of electrical energy.

Conclusions

Since 1900, General Electric Company has paid dividends of at least 8% annually on its capital stock in addition to 66⅔% in stock in 1902, and 30% in stock in 1913. Since 1918 the rate has been 8% in cash and 4% in stock. At its present price around 137, the stock gives a yield of approximately 10%, assuming that the 4% stock dividend is sold and converted into cash at prevailing market levels. In the decline in the stock market in the latter half of 1920 the stock broke from 172 to 116½, from which it recently recovered to 137. At 137, to yield 10%, the stock is an investment opportunity, as assurances have been given that the existing rate of dvidends will be maintained, and there is nothing in the present or prospective earning record that would indicate a reduction of the rate. Behind the stock stand tangible assets of $150 per share, and that this figure represents real value is unmistakable in light of the company's policy of valuing patents and other intangible assets at the nominal sum of one dollar, even though they are without doubt of considerable value.

It is possible that the prevailing business stagnation may adversely affect the gross business for the year, but it ought to be more than offset by the demands that are coming in from new fields that are being developed or opened. At the latter part of February the company had unfilled orders of $120,000,000 on its books, which should keep the plants busy pending the revival of industry. But even allowing for the remote possibility of a drop in gross business, there is every probability that the earnings will be considerably greater than last year because, while there may be occasion to take a loss on inventory adjustment, it will in no measure approach the $17,800,000 deduction of last year. Meanwhile, wages have been reduced by ten to fifteen per cent, which will strengthen the company's position and help to sell its products. Efforts are continually being made to increase production through new labor saving devices. It has been estimated that in the past four years the capacity of some of its plants has been about doubled through this means.

Anyone looking for a high degree of safety in an investment will find that the 6% debentures of 1940 selling about 100¼ meet his requirements and in view of the security and maturity, the yield of approximately 6% is attractive. Equally good are the 5% debentures due in 1952, which sell around 87¼ and which on account of their longer maturity give a yield of about ⅛ less than the debentures of 1940.

From all appearances the General Electric Company has a brilliant future, which of course, will be reflected in the market price of the stock. At its present market value the stock offers a very generous yield, and combines both nice investment and speculative qualities.—vol. 27, p. 97.

ENGLAND'S EXPORT SURPLUS

The British Board of Trade's report, classifying England's foreign trade of 1920 by countries, shows that if imports from and exports to the United States are eliminated from the reckoning, Great Britain's surplus of exports over imports last year was £58,500,000. On the same basis of calculation her surplus of imports over exports in 1919 was £188,400,000

Industrials Still Lead in New Financing

Railroad Financing Held Up for Burlington Issue — Numerous Attractive Oil Bonds Being Offered—Municipalities Fairly Active

INDUSTRIAL concerns still lead in the matter of new financing. During the first two weeks of April no less than eight prominent industrial companies entered the investment market for funds, their total requirements reaching about $40,000,000. Oil companies accounted for the bulk of this financing, contributing more than $25,000,000 to the total.

The large amount of securities sold by oil companies has been one of the features of financing over the past six or seven months. During that period these concerns have issued close on to $250,000,000 in securities, mostly in the form of bonds carrying 7% and 8% coupons. More than half of these bonds run for a period of ten years. The last large issue to be brought out, that of the MEXICAN PETROLEUM COMPANY, carries the longest maturity date with one exception of any of the oil issues, falling due in 1936. This bond also bears an 8% coupon, thus indicating the extent to which oil concerns are willing to go in order to obtain necessary funds. In addition to their high interest rates and long maturities, most of these oil bonds also have other attractive features attached to them to attract public interest, such as convertible privileges, sinking fund provisions, subscription rights, etc.

Practically all of the proceeds derived from oil financing have been used for development and expansion purposes, much of it having been used to increase working capital so that advantage might be taken of the present low price of crude to accumulate supplies.

Municipal Financing Prominent

Municipalities have been fairly prominent in the financing since the first of April, particularly the cities. There have been about ten city issues during the past two weeks totalling about $20,000,000. The largest of these was the Detroit issue of approximately $14,000,000 maturing serially from 1922 to 1951 and bearing varying coupon rates from 5% to 6%. The coupon rates on municipals at present lean toward 5½% and 6%, with the yields ranging from 5.50% on a ten year bond to 5.10% on a forty year bond. Nearby maturities yield 6% in most instances. Nearly all recent municipal bonds have been issued in serial form.

Rail Financing Waits on Burlington

From the first of March up to the present writing there has been not much more than $5,000,000 railroad financing. The big Burlington issue is momentarily expected, however, and there is talk of a Canadian Pacific issue in the near future. Should there be any substantial improvement in the railroad situation, a large amount of railroad financing can be looked forward to, as the roads are in much need of new funds. The Burlington issue will be watched with great interest, since its success or failure will point the way toward the railroad financing during the balance of the year.

MEXICAN PETROLEUM, 15-YEAR 8s

A $10,000,000 issue convertible, until 1931, into Pan-American Petroleum & Transport class B, common stock at $100 and bearing the guarantee of principal and interest by that company. The bonds constitute the sole funded debt of the Mexican Petroleum Company, excepting $1,009,000 obligations of subsidiaries. They are not callable in part, but may be redeemed as a whole during the first eight years at 107½. After that date the bonds may be redeemed as a whole at prices decreasing 1 per cent a year from the above figure until they mature. A sinking fund provides for the purchase of a varying number of bonds each year on a sliding scale of prices; $1,000,000 of the bonds may be purchased each year under this arrangement up to 102½; $750,000 at not more than 105; $500,000 at not more than 107½, or $250,000 at not more than 110. The bonds were publicly offered at a price of 98½ to yield 8.15% and the entire issue was sold within a short time.

The bonds leave little to be desired in point of attractiveness and should commend themselves to the conservative investor. The yield is exceptional on a security of this high type.

PACKARD MOTOR CAR, 10-YEAR 8s

This is also a $10,000,000 issue. The bonds are not secured, but are a direct obligation of the company, which has no other funded debt. Careful restrictions are placed on the issuance of any future mortgage obligations and provisions are made relative to maintaining current assets well above the outstanding amount of these bonds. A sinking fund provides for the setting aside each year of $1,000,000 in quarterly instalments to be used in purchasing bonds in the open market at not exceeding 105. The bonds are callable as a whole during the first five years at 107½ and in the second five years at 105. The proceeds of the issue were used to take up current bank loans. Earnings of the company during the past five years have averaged more than 11½ times the interest requirements on these bonds, and the prospects for future business leave little doubt as to the ability of the company to maintain its large earning power. The bonds were brought out at par to yield 8%.

They will no doubt rank high among industrial issues and their price should not get below par at any time.

MARLAND OIL, 10-YEAR 8s

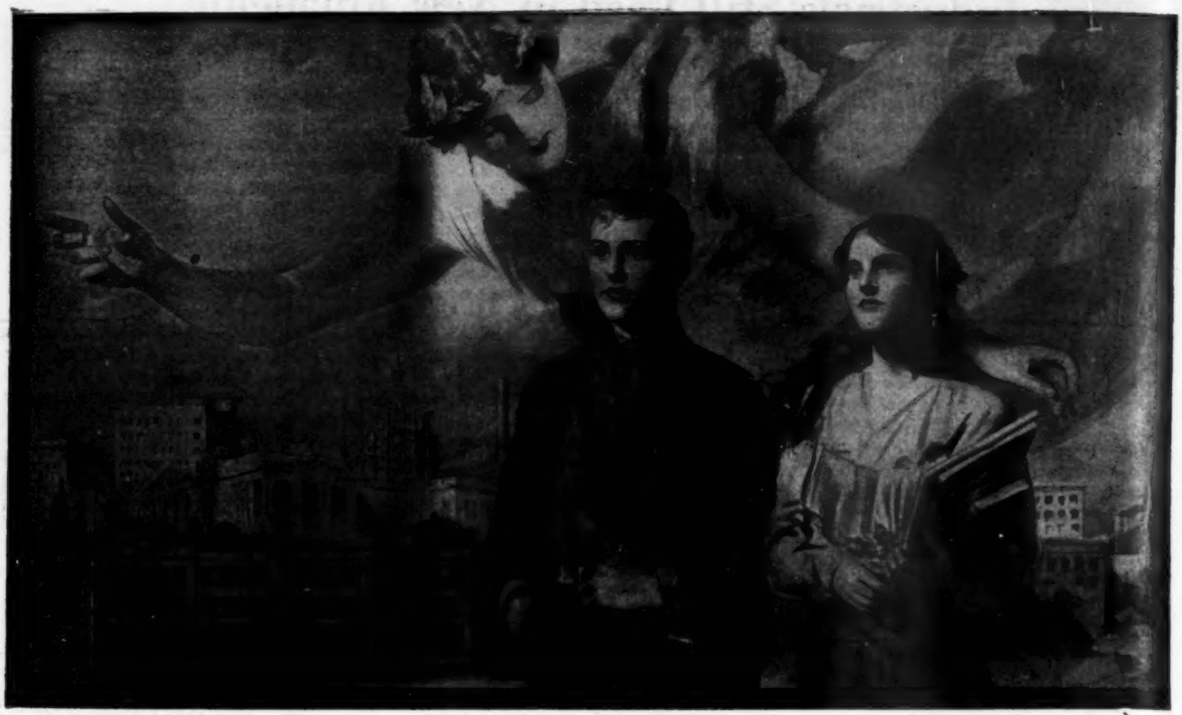
This issue is unique among recent oil bonds, because of its attractive participating privilege and subscription rights. None of the other prominent oil issues has carried features similar to these. The participating privilege on these bonds entitles the holder to receive $10 per $1,000 bond for each dollar per share per year declared in dividends on the capital stock of the company up to $4 a share so declared. The subscription rights give the bondholder a call upon the stock for 10 years at $40 per share.

This issue is also protected by an attractive sinking fund provision which should retire practically all the bonds before maturity. It is a $4,000,000 issue and is secured by net assets in excess of $51,000,000. During the life of the bonds, provision is made for the maintenance of

(*Continued on page* 923)

CURRENT BOND OFFERINGS

Amount	Issue	Maturity	Offering Price	Yield %
	STATE AND MUNICIPAL			
$13,973,000	City of Detroit, Mich. 5 to 6	1922-51	To Yield	5.75 to 5.20
1,000,000	State of Oregon, Highway 5½s	1925-	To Yield	5.70
2,028,000	City of Jersey City Sch. 5½s	1922-61	To Yield	6.00 to 5.10
1,023,000	City of Toledo, O., 6s	1929-	103½	5.50
1,000,000	City of Akron, O., Sch. Dist. 5½s	1922-41	To Yield	6.00 to 5.50
621,000	City of Akron, O., 6s	1922-31	To Yield	6.00 to 5.50
500,000	City & Co. of San Francisco 4½s	1929-42	To Yield	5.40
500,000	Pitt County, N. C., 6s	1932-61	To Yield	5.80 to 5.70
450,000	City of Cleveland, O., 5½s	1921-60	To Yield	6.00 to 5.10
300,000	Town of Torrington, Conn., 5½s	1930-41	To Yield	5.00 to 4.90
300,000	City of Hempstead, Sch. Dist. 6s	1925-54	To Yield	5.25 to 5.10
271,000	City of Norwich 5s	1951-	To Yield	4.90
	INDUSTRIALS			
10,000,000	Mexican Petroleum 8s	1936-	98½	8.15
10,000,000	Packard Motor Car 8s	1931-	100	8.00
6,000,000	Sun Company S. F. 7s	1931-	98½	7.65
4,000,000	Marland Oil 8s	1921-	97.00	8.45
3,000,000	Celluloid Co. 8% Cum. Pfd. Stock	....	100	8.00
3,000,000	New England Oil Ref. 1st S. F. 8s	1931-	98	8.30
2,880,000	General Amer. Tank Car 7½s	1931-	96.60	8.00
2,500,000	Standard Textile Prod. Deb. 8s	1931-	100	8.00
1,500,000	American Glue Deb. 8s	1931-	100	8.00
	PUBLIC UTILITIES			
2,750,000	Detroit Edison 1st & Ref. 6s	1940-	88½	7.10



Courtesy National City Co.

Building Your Future Income

ADVICE

ARE you an advice-giver? An advice-taker? If you are either or both you have nothing to be ashamed of, for it is only a sign that you are human. The only danger lies in letting this advice business get chronic with you.

The layman is quick to tell you the law. Also, every one will give you a remedy for rheumatism. Your friends will tell you how to invest your money when THEY have no money to invest. All this shows friendliness, and the thing to do is to take these gems of friendly interest and lay them by as souvenirs. There is no law compelling you to wear them all on the lapel of your coat.

We all have the blessed privilege of making mistakes.

As a rule, advice worth having is worth paying for. That which we get for nothing is worth just about its price.

* * *

MAKING an investment may be divided into two stages. First, the character of it,—whether real estate, a mortgage, a bond, a stock, or buying an interest in a business. After you have informed yourself as to the general subject, seek advice from someone older and wiser than you,—from someone who has made a success in business. Your banker or your employer is a good person to see. At this stage, if you write to a reputable financial publication, state some facts about yourself, for many things should be considered by a stranger who would advise you. He must know your age and your circumstances. If you are middle-aged and well-to-do, he will advise you differently than if you are young and just starting. In your letter state your business occupation, your income, your family dependencies, your education, your habits, your ambitions. Act upon only such advice as coincides with your judgment.

* * * *

SECOND, having chosen the general channel, you have to be more intricate and specific. If it is real estate, what is it worth and will it increase in value? If a bond, what is back of it? If a stock, what is back of that? What is its record? What is its future in face of all conditions? Is it marketable? Is its worth based on performance or prophecy?

Here you are getting from the general down to the concrete. Again you may be advised, and again in asking for it state your own condition and circumstances.

The reason why you should tell all about yourself when you go after financial advice is because you are consulting a specialist who knows better than to prescribe indiscriminately, just as a doctor does not give the same dose for every disease. If he did, he might cure some but would kill others.

* * *

But already you may have demonstrated wonderful shrewdness in investments or in market operations. You may have found the magic touch. The world may be your oyster. You can point out instances where millionaires made mistakes, hence most of them are pikers. Very good. You are young and right now are sorely in need of some good, sound advice from one of these "piker" millionaires.

A Modest Plan but a Sure One

Ex-Army Man, Who Has Climbed Rapidly in Business, Believes in Backing "Home Industries" —Working Toward $2,000 Income at 43

By "P. D. H."

TO properly present the course which I have charted to the Port of Financial Independence requires a brief, but intimate, personal background.

I believe that my family truly represents the average American family group and that I am in typical circumstances to warrant the following details interesting a wide circle of readers:

Prior to the American entry into the war I had just reached an executive position after six years of development during which I had thrown overboard a direct use of the classical education provided by my parents and entered the mechanical sphere which was my natural choice. In so doing I naturally started perforce at the foot of the hill as an apprentice with very small pay. Then came the gradual rise through the successive steps of mechanic, expert operator, instructor, assistant foreman, foreman and expert on automatic lathes.

At first my income only covered bare living expenses; later I was able to buy the higher technical books required and the necessary tool equipment to fit myself for better positions. During the first three years I was able to save but a hundred dollars.

With the higher place which I gained came higher income and the beginning of 1917 found me married and with a small home furnished, a savings account of about six hundred dollars, and a position, just reached, as superintendent of the planning department of a very large enterprise.

Called Into Army

Being a lieutenant of the reserve I was mobilized soon after war was declared and sent to France almost directly. I was absent from my family (wife and infant son) for about two years, returning to the United States and receiving my discharge in February, 1919.

During my service all of our savings had been spent, due to the increased cost of living and the reduction in our income due to lieutenant's pay, and the supporting of the family at home and myself in billet or field. Therefore, upon my new start, which I date February, 1919, we were situated with one one hundred dollar Liberty Bond and our furniture after all debts had been paid.

I re-entered the employ of my former employer in a temporary position and subscribed to a fifty dollar Fifth Liberty Bond. In five months I was given position as assistant sales manager of machinery, and the month following we purchased a large and finely built new house in the most rapidly developing part of the city. We paid $300 down, borrowed the balance in two mortgages, the first from our savings and trust company the second from the corporation where I was employed. On the second mortgage we were to pay monthly $18. At this time our total monthly income was $135 and our monthly expense $106.

Made Export Manager

In March, 1920, our export manager left for a year's trip and almost immediately his understudy resigned for another position. Because of my various qualifications I was given the position of acting export manager. At the same time the corporation issued more of its common stock and gave employees the opportunity to purchase. I took 4 shares at that time on a ten-payment arrangement. In July, 1920, we bought the lot of land next to our own place, and our own having developed into a corner lot as the city expanded our property increased $2,500 in value. In August we bought some more shares of company common stock and refinanced our mortgages by transferring the first, on which so far we had paid only the interest, to the local co-operative bank where we pay $18 monthly against its principal, in addition to the $18 paid monthly on the second mortgage.

At this date, October 20, 1920, we stand with $608 paid on our home (which we could sell at $2,600 profit), 18 shares of the common stock of the company where I am employed paid for and 5 shares partly paid for and two Liberty Bonds. Our gross income is $213 monthly and our gross expense is $171. You will see that we are running very close to the wind, but prefer to save heavily now in the hope that the load will be lightened.

The Future

For the future our intention is as follows:

One-half of each increase in salary that I receive and reduction in overhead due to paid up stock subscriptions is to be invested in the stock of the corporation which employs me. This to be bought either from the treasurer or on the exchange, as is best at the time on the ten-payment plan, since by meeting obligations I find it easier to save large sums. One-half of the balance goes into such Government bonds as at the time may make the most favorable purchase bought on the ten-payment plan. The other quarter is divided equally on improvements to our property and in buying local public service bonds bought on ten-payment plan, as Light and Power Company issues. The slowly increasing income from these securities is to be used in any way desirable.

This plan carried out for fifteen years will place us with about $28,000 worth of securities at a most conservative estimate. At that time I will be 43 years old. In the meantime, that is in 1932, our house will be entirely paid for even though we do not increase the payments. We will, therefore, upon my 41st year have a home with rent and interest free (realizing about $800 to us yearly) and an income of about $2,000 yearly from our securities.

"Modest—But Secure"

Modest? Yes; our ambitions, however, are not for that period, but for what we can do after it is reached. First, we intend to be as *secure* as is humanly possible. After that to enjoy the task of further development.

And in the meantime life is very pleasant for us; travel and entertainment are enjoyed reasonably, and if we have no one whose eventual bequests will benefit us we take all the keener pleasure in watching the development of our financial independence.

In a recent issue of THE MAGAZINE OF WALL STREET we said:

"The investor's contribution to the upbuilding and maintenance of his country is not expressible in terms of dollars and cents. Teachers educate us; clergymen develop our souls; doctors guard our health; as individuals we could not do without these professions. But the hope of the country itself, and its greatest strength, lie in its investors. It was the investors of the United States who restored its credit following the Civil War; it was the buyers of Liberty Bonds who preserved its integrity in the Great War; it is the investors of today who, by financing the world, will reopen the foreign trade markets upon which we have come to depend. Every dollar an investor puts into a legitimate, sound, corporation security is one more dollar behind the United States Government; without those dollars the country itself could not survive."

We could think of no better actual example of the above than the contributor's article you have just read. Here is a man whose surplus funds go to the support of his government, of the organization by which he is employed, of his local utility companies and of his home. Representing government, public service, private enterprise and the home, his financial backing—with that of thousands of other investors like him—is certainly being placed where it will do the most good.

The welfare of the community aside, our contributor has outlined for himself a plan for achieving financial independence, which leaves nothing in point of safety to be desired. He knows his government bond investments will be secure —we all know that. The funds he puts in the company he works for he can have incessantly under his eye. The power and light companies will be similarly easy to watch.

If, for this safety, he may be sacrificing some degree of income return or profit possibility, he is to be commended. Safety is the thing to look for first—especially when it can be had as profitably as in this case. We take our hat off to "P. D. H."—Editor.

"Bringing the Savings Bank to Employees"

Savings Banks Association of State of New York Has Evolved Three Unique Methods of Encouraging Systematic Saving Among Employees — Idea Rapidly Taking Hold

CAPTAINS of industry in the Empire State are co-operating heartily with the Savings Banks Association of the State of New York in the latter's effort to bring the savings bank to the worker's elbow. Through these men of vision ways and means are being provided for the worker to save regularly and systematically.

The Savings Banks Association through George W. Reid, manager of the Industrial Savings Department, has perfected what is called the Industrial Savings Plan. **The effect of this plan is to bring the savings banks to workers in industry, eliminating the inconvenience and annoyances which heretofore have militated against workers saving part of their earnings.**

"None knows better than the employer," says Mr. Reid, "the stabilizing effect a bank account has on an employee. Employers in recent years have come to know that contented employees work with maximum efficiency and that nothing makes for contentment like a savings bank account.

"Realizing that the average toiler would save part of his salary each pay day if convenient means were provided for him to make a deposit, the Savings Banks Association has evolved three different plans which make it possible for the worker to save part of his earnings systematically and with the minimum of inconvenience. The savings plans that we are projecting enables the industrial worker to have his savings taken care of automatically by his employer.

A WISE employer takes every means of encouraging systematic saving among his employees. He knows that men and women live better, feel better and work better for having money in the bank.

In the accompanying article, George W. Reid, manager of the Industrial Savings Department of New York State, outlines a plan to encourage savings which is as practical as it is unique. The plan is being successfully used today in a number of large corporations.

N. Y. Telephone Company First to Use Plan

"The New York Telephone Company was one of the first of the big organizations to install one of our plans. This company adopted Plan No. 2, which may be aptly called the "Dual Agency Plan," and already a large number of the 48,000 employees of the company distributed throughout New York and New Jersey, have started savings accounts under the plan.

"In offering the plan to employees of the telephone company President H. F. Thurber sent a letter to each worker in his organization in which he told them that the experiences of the war demonstrated conclusively the value of thrift and familiarized all with systematic saving through the medium of 'deduction from payroll.' As a result, he explained, a widespread and insistent demand has arisen among employees for some permanent savings plan. He explained that the plan which the company had adopted provided for the opening of individual accounts for employees in selected savings institutions, the company acting as the agent of the employee in the establishment of his account, in the deposit therein of amounts withheld from payroll under his authorization, and in the withdrawal of money therefrom upon his order.

"Under this Savings Plan a complete Savings Bank accommodation is afforded without the necessity of personal visit to the bank on the part of the employee. At the same time, full control over the account is left in the hands of the employee-depositor because under it an employee may open a savings account at any time; deposit currently, by deduction from wages, as much or as little as the employee may desire; increase or decrease the amount of his regular deposits, waive them temporarily or discontinue them permanently, at any time, by notice to the company; withdraw any part, or the entire amount, at any time, subject only to the right of the bank, in time of financial emergency, to require from 30 to 60 days' advance notice. Under this plan the employee may also take his account out of the hands of the company and establish direct relations with the bank in which it is carried, or terminate his account entirely, at any time he may see fit to do so.

Little Trouble Convincing Employers

"I have encountered little difficulty in inducing big employers to install one of our plans in their organizations. When it is pointed out to the employer with vision that there are countless wage earners who really want to save some of their earnings but are unable to do so because of the obstacles with which they are confronted, we generally find the employer eager and willing to co-operate. Many wage earners put off opening a savings account because the means is not 'at their elbow.' Many live too far from a savings bank to make it convenient to deposit regularly, and then again banking hours are such as to make it almost impossible for some workers to get to the bank when it is open. These wage earners need but slight encouragement to convert them into thrifty individuals. What they need most is a little assistance—a START on the road to systematic saving.

"Once an employer accepts one of our plans the rest is easy. Take for instance our Depositing Agent's Plan. Here is how it works:

"The employee authorizes his employer to deduct from his pay envelope a specified sum each pay day, the employer to place the sum deducted to the employee's credit in his own name in the savings bank with which arrangements have been made. New accounts will be opened for employees if they do not have an account in the savings bank.

"As soon as the employee's authorization is obtained, arrangements are made between the company and the savings bank so that the information required by the bank for the protection of the account is obtained. At every pay period the employer prepares in duplicate a list of the employees who are subscribers under the plan. Opposite the name of each employee appears his address, bank book number, etc., etc., and the amount deducted from his pay, which is sent to the savings bank for deposit to his account. Also advice as to where the employee desires his bank book retained. The bank book may be left in care of the bank or the employer for safe keeping or the employee may retain it if he desires.

"The original of the list and the total amount of deductions are sent to the savings bank for deposit. Bank books that are held by the employer at the request of the employee, are sent to the savings bank with a list whenever the deposit is to be made to that particular account. The savings bank will credit the individual account at the bank from the list, and issue a receipt to the employer for the amount deposited. The duplicate of the list is retained by the employer for record purposes.

"The employer prepares and encloses in the pay envelope on each pay day a statement indicating the amount deducted from the employee's wages, which will be deposited as per his authorization. This statement is the employee's receipt until his deposit reaches the savings bank and is credited to his individual account.

"An employee is permitted to increase, decrease, or even suspend the amount that he has had deducted from his wages for deposit, if he finds it necessary. An employee, if he desires, may make supplemental and independent deposits to his savings account under the industrial savings plan, by going direct to the savings bank; but it will be necessary for him to obtain his bank book and then proceed to make the deposit in the usual manner.

"An employee may withdraw money from his account any time he desires, but as withdrawals from his account are

transactions between himself and the savings bank it will be necessary for him to obtain the bank book for presentation at the savings bank when withdrawals are to be made. If the employee's bank book is being held by the employer, it can be given to him when he wishes to withdraw some of his savings. If the bank book is held by the savings bank, it will be delivered to him upon presentation of the receipt the bank issued when it took possession of the bank book for safe keeping.

"The Voluntary Savings Plans or Flan No. Three, is less effective than the others but in some instances the most desirable from the viewpoint of the employer who finds it unwise to be a factor in the methods employed in the other two plans. Under the Voluntary Savings Plan the employees select a competent, trustworthy person from their own number to be bonded by the company. His function is to collect each pay day such sums as are stipulated by the written orders of his fellow-employees, or as are voluntarily placed in his hands for deposit in the savings bank. He opens the accounts and makes deposits in the names of the other employees.

Large Industrial Organizations Adopting Industrial Savings Plan

"That the Industrial Savings Plans formulated by the Savings Bank Association are attracting wide-spread attention is evidenced by the fact that leaders of industry in all parts of the United States and Canada are querying us in large numbers, asking for a plan to fit their particular needs. These captains of industry seem to realize that a savings account is the most stabilizing influence that can be brought to bear upon an individual and that if the plan is adopted on a wholesale scale it will prove a barrier to Bolshevism more potent than resolutions, speeches or even bayonets.

"More than twenty industries with hundreds of thousands of employees have already installed industrial savings plans."

Where Life Insurance Might Have Helped—and Where It Did

Two Stories from Our Own Primer with a Moral—An Estate That Vanished and a Business That Flourished

"WHAT do I want of life insurance?" asked Mr. Bangs, "there is nobody but my wife and myself, I own my own home, and have several thousand dollars in the bank. Now, what do I want of life insurance?"

It so happened that Mr. Bangs died. A few days after his death his widow went down to the bank to draw some money. The banker was very nice and sympathetic, but said to her: "I am very sorry, Mrs. Bangs, but you cannot draw out any money. You'll have to have an administrator appointed over the estate."

Of course, Mrs. Bangs was disappointed as money was needed immediately, and she did not know what to do or which way to turn. She went to a lawyer and the lawyer took her to the proper place and in due course of time an administrator was appointed over the estate. She could not draw out a cent of the money her husband had in the bank, and could only get what the administrator was willing to give her. For two years, the whole estate was in his hands.

Now, Mr. Bangs, during his life, had been scrupulous in paying his debts. It had been almost a religion with him to pay an obligation when due. He always got along very nicely with his partner. But, strange to say, his partner and also the doctor and an employee who hurt his thumb; the butcher, the baker, the candlestick-maker, all put in a little claim against the estate and all were paid something by the administrator.

At the end of two years there was hardly anything left of the estate for the widow. Mr. Bangs had the wrong idea.

A life insurance policy payable to an individual is exempt from buy and sale—no claims, true or false, can reach it.

The Case of Amos

Life insurance comes in handy in more ways than one, as witness the case of Amos:

Amos was a farmer boy who lived about twelve miles from the city of Little Rock, Arkansas. He did not live even in a town, for the only public thing about the four corners was a little red school house. We will call the place "Jones Cross Roads."

This little settlement consisted of several cotton planters, with an occasional gin and presser, but the planters had to haul their cotton to market twelve miles over rough road. As they marketed their cotton they brought back their store supplies.

Amos' home was not very strong in point of books. Sears Roebuck's catalog and some almanacs constituted the bulk of the library. Amos, however, read everything he could get hold of or borrow, and used to dream occasionally of better things than working in the cotton fields.

He conceived the idea of starting a store in Jones Cross Roads. He figured it out that there were enough planters within a radius of a few miles to patronize his store and to make it flourish. He knew, however, that he had to have some capital not only to build the store and to stock it but to be able to carry the farmers a year or until they sold their cotton. He needed about three thousand dollars—and he did not have three thousand cents.

But Amos was intrepid. He read somewhere about young fellows borrowing money and he thought he would try out the trick in Little Rock. So to Little Rock he went.

Now, there was an old banker in Little Rock whose name was Fletcher, and who was a philosopher as well as a banker. Amos walked into Mr. Fletcher's bank and called for Mr. Fletcher. He was ushered into the presence of the great man.

"Mr. Fletcher," said Amos, "I want to borrow three thousand dollars."

"Very well," was the reply, "what security have you to offer?"

"I haven't any security," said Amos, "but have read about bankers who consider character in loaning money and so I have written out a history of all my ancestors so far as I can trace them which shows that, although none of them ever had very much money, yet they were all honest."

Amos handed him over a bulky manuscript.

"Well," said Mr. Fletcher, hiding a smile, "I'll look over your credentials and let you know in a few days." Amos went home.

In a few days he got a letter from Mr. Fletcher inviting him to call at the bank, which he made haste to do. Mr. Fletcher said to him:

"What do you want this three thousand dollars for?"

Amos proceeded to tell Mr. Fletcher all about it. He told him why a store would pay in Jones Cross Roads. He told why he was the man to run the store. He told of his own qualifications and determination and enterprise. Then Mr. Fletcher said to him:

"I think you will win out, if you live. You get your life insured for three thousand dollars and show me that you can keep up your premiums, which will be about eighty-five dollars a year, and assign the policy over to me. I will give you the three thousand."

The thing was done. Amos got his three thousand, started the store, and made it pay.

In the course of a few years a village was born at the Jones Cross Roads. Amos sold out his store at a large profit, had other visions, went to St. Louis, and now is a successful business man. Amos will always feel friendly towards life insurance.

Was this a foolhardy thing for the banker to have done? No. Mr. Fletcher knew that the boy would probably win out in that store if he lived. He could not win out very well if he died. If he did win out, Mr. Fletcher would be doubly protected by the policy at maturity, twenty years, and by the character and business ability of Amos. He would also be protected in case of Amos' death. Everbody was satisfied, and a captain of industry was started on his career.

MEN ARE FOUR

MEN are four:
He who knows, and knows he knows,—
He is wise—follow him.
He who knows, and knows not he knows,—
He is asleep—wake him.
He who knows not, and knows not he knows not,—
He is a fool—shun him.
He who knows not, and knows he knows not,—
He is a child—teach him.

Mining

Jerome Verde Copper Co.

Jerome Verde to Be Reorganized

New Plans to Provide Financial Backing and Aggressive Development — Should the Stockholders Assent?

By C. S. HARTLEIGH

NOT many years ago, mineral ground now held by the Jerome Verde Copper company was being developed under lease and option to some of the principle owners of the United Verde Extension Mining Co. This was before the United Verde Extension had opened its famous ore body. The development work was not successful, and the lessees, with limited capital available, became discouraged, and the option was dropped.

About this time the property was brought to the attention of Edwin O. Holter, who became interested in the possibilities of the mine, and who agreed to plans involving considerable expenditure in new development work. The Jerome Verde Copper Company was organized, and large sums of money were expended on the properties. The results were disappointing, and extensive underground exploration failed to open large and profitable ore bodies.

In the mean time the United Verde Extension Mining Co. had opened and developed its wonderful ore body, and was naturally interested in adjacent territory, particularly the properties of the Jerome Verde Copper Co., which hemmed it in closely along its entire northern boundry. There was some lack of co-operation between the two companies for a time, but later, underground connections were made which proved to be mutually advantageous.

How Jerome Verde Has Been Opened

The Jerome Verde properties have been opened through entries from the United Verde Extension mine, and by a vertical, three-compartment shaft on the Columbia claim in the southwest corner of the property. This shaft was sunk to a depth of 1,060 feet below the surface. It is well timbered and equipped with suitable machinery for hoisting, pumping and drilling, all electrically operated.

The principal exploration level, called the 1,100-ft. level, corresponds to the 1,400-ft. level of the United Verde Extension mine. This level is at a depth of 1,043 ft. below the collar of the Columbia shaft. A great amount of exploration and development work has been done on this level, which up to the suspension of work, on August 7, 1920, aggregated 15,500 ft. of drifts, crosscuts, raises, and winzes, and 19,876 ft. of diamond drill holes.

The portion of the property that can be reached conveniently from the Columbia shaft has been thoroughly explored on the 1,100-ft. level, and the results obtained have been disappointing. The exploration work covers an area of about 135 acres. The work was carried on mainly along two systems of faults, or shear zones, that extend for considerable distances into the Jerome Verde ground from their intersection at the south corner of the United Verde Extension bonanza ore body. One of these zones extends along the course of the main Verde fault, through the Maintop claim in the northwest part of the property. The other zone reaches northeasterly through the Verde, Master, and Ensign claims in the southeast part of the property.

In all of this work, one small body of commercial ore was discovered above the 900-ft. level, on the Maintop claim, from which a little less than 9,000 tons of 9% copper ore was shipped with a net profit of about $5.00 per ton. This ore body has been mined out entirely in the Jerome Verde ground. Part of it extended into United Verde Extension ground. It was about 40 ft. long, 10 to 25 ft. wide, and 125 ft. deep. The lower end was either pinched or cut off by a fault.

The Rumor of the "Big Strike"

The company's shares were listed on the New York Curb, and during the progress of the above-mentioned development work the stock was often quite active. At one time the shares advanced up to a high level of around 14, apparently as a result of a rumor that a very high-grade ore deposit had been opened by certain diamond drill operations which were being conducted by interests who preferred to keep the information from the public. This story may or may not have been started by some unscrupulous individual to serve his own ends, but it caused considerable excitement at the time, and when it failed to "prove up" it brought down much unjust criticism on the heads of the company's officers. Those unfamiliar with the facts, and particularly the speculators who fared ill as a result of the attending gyrations of the company's shares, were quick to lay the blame on the company's officers.

However, the company exploded all reports about the rich strike, by making underground openings along the drill hole at points where the alleged ore body was supposed to be, without finding more than evidence of the hole passing through little better than country rock.

The northwest shear zone has been explored by drifts and crosscuts, for a distance of more than 1,000 ft. beyond the Maintop ore body, in a general direction parallel to the main fault. In this work two deposits of material were found which showed indications of leaching the copper mineralization. The smaller of these was about 170 ft. long and 25 ft. wide. This was explored by a short raise, and a winze 100 ft. deep, without finding commercial ore. Its extension in depth was apparently cut off by a fault. The other mineralized zone is about 150 ft. long and 100 ft. wide. This has not been explored below the 1,100-ft. level. Near the Columbia shaft some copper-stained veins and bunches of quartz were opened in the main haulage drift, but no commercial ore was found.

In the southeast part of the Jerome Verde property, the United Verde Extension northeasterly fault has been followed by drifting for a distance of more than 1,700 ft. beyond the Columbia shaft. This fault zone is well defined, has an average width of about 2 ft., and presents favorable indications for the occurrence of ore. Considerable exploration work has been done in this vicinity, but no commercial ore bodies have been discovered.

The work on the 1,100-ft. level of the Columbia shaft has been generally disappointing, but it has not been conclusive as to the existence or non-existence of commercial ore bodies in this territory at greater depth. The property is within the limits of the ore-bearing formation. Engineers who have examined the property are of the opinion that, below the bottom level, a different formation may prove more favorable to the occurrence of ore.

The Company's New Project

Deeper exploration, in the opinion of the company's engineers, should reach at least 250 to 300 ft. below the present Columbia workings. Such work would necessitate sinking the Columbia shaft 300 ft. deeper, and driving long approaches, under large preparatory expense, and heavy cost for pumping. About $750,000 would be required to adequately carry on

this work. It is believed that it would be impossible to raise such a sum of money by the sale of stock, with the present unattractive showing in the property, and the existing unfavorable copper market and financial conditions.

The natural alternative that suggests itself is to devise some scheme whereby the exploratory work can be carried on through the workings of the neighboring United Verde Extension mine, which has openings 300 ft. below the Columbia 1,100-ft. level, and extending to within 500 ft. of the Jerome Verde boundaries. With this idea in view, the officers of the Jerome Verde Copper Co. have entered into an agreement with the United Verde Extension Mining Co., which is subject to the approval of the stockholders of Jerome Verde, at a special meeting to be held at Phoenix, Arizona, on May 5, 1921.

The proposed contract is between the Jerome Verde Copper Co., the United Verde Extension Mining Co., Edwin O. Holter, I. Mabbett Sutton, and James S. Douglas. **The contract provides, among other things, for the sale of the properties and assets of the Jerome Verde Copper Co. to the Jerome Verde Development Co., a corporation to be organized under the laws of the State of Delaware, and for an exchange of the outstanding shares of stock of the Jerome Verde Copper Co. for shares of stock of the new Jerome Verde Development Co., by such of the stockholders of the Jerome Verde Copper Co. as may elect to accept such exchange in lieu of their proportionate liquidation dividend out of the agreed purchase price of the properties. The contract provides also for the execution and delivery by the Jerome Verde Copper Co. to the United Verde Extension Mining Co. of an option to purchase 628,078 shares of the stock of the new Jerome Verde Development Co. for the total purchase price of $464,039. Furthermore, the contract provides for the development and operation of the Jerome Verde properties by the United Verde Extension Mining Co.**

This contract is calculated to accomplish four important things for the Jerome Verde Copper Co. and its stockholders. It will relieve the company from impending danger of losing all of its properties through accumulating indebtedness, and the foreclosure of the existing mortgage on the company's properties. It will provide for the prompt and thorough development of the property by skillful and successful copper miners, who are familiar with the geology of the district, and who, through ownership and operation of neighboring properties, will be able to develop the Jerome Verde property at depth through their own deeper shafts and workings, intelligently and economically. The proposed Jerome Verde Development Co. will be well financed and protected, and a period of idleness for the property, and further accumulation of debt will be avoided. It is believed by the officers of the company that the new arrangement will give each share of stock of the new company an intrinsic value greater than ten shares of the old Jerome Verde stock, and that the new shares will afford a probability of far greater profit to the stockholders than they could hope to gain through their present holdings.

The Exchange Offer

According to the terms of the proposed contract, the sale price of the Jerome Verde properties and assets is $420,000, payable either in cash, distributable to the stockholders, or through an exchange of stock of the new company for the stock of the present company. The Jerome Verde Development Co. will be organized along the lines of the United Verde Extension Mining Co., with an authorized capital of 1,500,000 shares, of the par value of 50c. each. One share of the stock of the new company will be offered in exchange for 10 shares of the stock of the Jerome Verde Copper Co. The stock of the new company will be optioned to the United Verde Extension Mining Co. at prices ranging from 50c. to $1 a share, the proceeds whereof are to be used in taking up the outstanding mortgage indebtedness of the Jerome Verde Copper Co., in paying the cost of proposed extensive development work on the property, and in taking care of current expenses and fixed charges of the new company. It is understood that the development work is to be performed at an expense to the new company equivalent to cost plus 10% to cover a reasonable proportion of overhead expense.

The agreement and plan may become effective by vote of a majority of the outstanding stock, at the meeting to be held May 5, and if three-fourths of the outstanding stock is exchanged for stock of the new company.

It is apparent that under the existing circumstances, the best gamble for the stockholders is to fall in line with this scheme, approve the contract, and offer their shares in exchange. If future development of the property should disclose valuable ore bodies, it is within the realm of probability that the new development company will be absorbed by the United Verde Extension Mining Co., and in this event Jerome Verde shares might well show a speculative profit ultimately.—vol. 25, p. 820.

INDUSTRIALS STILL LEAD IN NEW FINANCING

(Continued from page 917)

the net current assets at not less than $4,000,000. Marland Oil Company is a complete unit in the oil industry and occupies a prominent position in the Mid-continent field. Last year the company showed earnings equivalent to about $6 a share on the outstanding stock.

The bonds were offered to the public at 97, at which price the yield was 8.45%. They are well protected in every way and the many attractive features attached to them entitle the bonds to a very good rating.

SUN COMPANY, 10-YEAR 7s

This is a $6,000,000 debenture issue and together with the $5,650,000 10-year debenture 6s constitutes the company's only funded debt.

The Sun Company has been in successful operation since 1886 and is a complete cycle in the oil industry, operating both here and abroad. Net assets of the company at the close of last year, after giving effect to these bonds were over five times the present funded debt, and earnings during recent years have been several times interest requirements.

The bonds have an attractive sinking fund attached to them and are well safeguarded in other respects. They were offered on a basis to yield 7.65% and were readily taken by investors.

CITY OF DETROIT ISSUE

This city recently issued $13,973,000 in bonds bearing coupons ranging from 5% to 6% and maturing serially from 1922 to 1951. The offering basis on the same was from 5.75% to 5.20%, depending on maturity. The proceeds of the issue were used for various purposes, including Bridge, Sewer, Hospital, Park and General Public Improvement.

The bonds were well taken, as has invariably been the case with Detroit issues.

CITY OF AKRON, OHIO

The City of Akron recently sold two issues of bonds, one a School District 5½% bond, and the other a so-called Municipal 6% bond. Both are serial issues, the former running from 1922 to 1941 and the latter falling due from 1922 to 1931. The offering basis in each case ranged from 6% to 5.50%.

Akron is one of the largest manufacturing centers of rubber goods in the world and produces a diversity of other products. Its bonds have always been highly regarded.

ADVICE TO SMALL INVESTORS

On every Answer to Inquiry sent out by the Inquiry Department of The Magazine of Wall Street is printed the following notice:

"Securities Classed by Us As Speculative Should Not Be Bought by Small Investors."

A subscriber has inquired why we include this notice in our answers. We are glad to explain:

Persons of limited means should not speculate in securities—or in anything else. They should confine their security purchases to issues of a strictly investment character—that is, issues which represent strong companies and share first in their earnings.

By so doing these people will be contributing to the best that is in business; and they will be safeguarding their own future.

The Magazine of Wall Street believes so thoroughly in this idea that it wishes to take every means of driving it home.

—OR MOURNERS

Any time you see an editor who pleases everybody, you're going to be looking at him through a glass plate which has been put over his face, and he isn't going to be standing up. Another thing, too: He's going to be a darn lucky editor if there is anything like the smell of flowers in the room when you're looking at him.—*Mead Co-operation.*

Public Utilities

Bonds and Stocks

American Railway Express
American Express Co.

Wells Fargo & Co.
Adams Express Co.

New Hope for the Express Companies

Inauguration of 6% Dividends on American Railway Express Stock Changes Whole Outlook of Old Companies

WITHIN the last decade, the express companies of the United States, as a group, have plunged from prosperity to penury. Only one of them seems to have escaped the general debacle; and this one managed it by branching out into an entirely new field. The shares of these companies reflected the general pessimism as to their future.

A recent development, however, promises to change entirely the whole face of the situation as regards these concerns.

A Very Little Ancient History

For the sake of the contrast, it is interesting to review briefly the slough the express companies have been in recent years.

The Wells Fargo Company, which paid a total of something like 158% in the period from 1901 to 1918, (exclusive of an extra dividend in 1910 of 300% in stock and another in 1917 of 33 1/3% in cash) has been able to pay nothing for the last three years. In a statement to stockholders as of January 20, this year, the president of the company said: "The board of directors are of the opinion that the interests of the stockholders will be best served by the eventual liquidation of the company."

Shares of the Adams Express—hit harder, probably, than any of the others—sold last year as low as 22, as against a price of 330 in 1907; the drop in price corresponding to a reduction in the company's dividend from as high as 12% to no dividend at all in the last four years.

The American Railway Express Co., the "Government" company, suffered a loss of over $24,000,000 in 1918—the first year of its existence—and in 1919 the deficit of this company amounted to more than $51,000,000.

The "Event"

The event which has just occurred and which calls attention to a possible new era for express company stockholders, has been the inauguration of dividends on the shares of the American Railway Express Company. For those who have followed the fortunes of the express companies closely in recent months, this action may not have caused great surprise; but to the great majority, the action seems to have been completely unexpected.

The American Railway Express Company was incorporated in June, 1918, to take over the express business of Wells Fargo, Adams, and American Express. The consolidation not only took over all the properties of the above companies on all the railroads in the United States, but also leased the plant and equipment of the smaller express companies. It was capitalized with an authorized $40,000,000 of stock, of which $34,642,000 was issued for the physical properties that were taken over, and to provide working capital.

Of the issued capital stock of the American Railway Express, the American Express Company received some $12,000,000; Adams Express $11,900,000; and Wells Fargo $10,466,000.

Following its organization, American Railway Express entered into a contract with the Railroad Administration whereby it was guaranteed against an operating deficit; but, unlike the railroads, it received no guarantee for the use of its property. This original contract also called for a division of profits, were any to be made.

That the company was an abyssmal failure under this original contract was sufficiently illustrated by the huge losses suffered in 1918 and 1919, referred to above.

The deficits of the company were made good by the Government, according to the wording of the contract. But the necessity of readjusting the conditions under which the company was forced to operate was more than apparent.

The first relief came when, on August 13, 1920, the Interstate Commerce Commission granted authority to the company to increase its rates 12½%, effective on one day's notice. The new rates went into effect on September 1, 1920. On September 24, 1920, the I. C. C. granted a further increase of over 13½% over the old rates, making a total increase of 26%. At the time it was estimated that the new rates would be sufficient to convert the monthly deficits into profitable showings. The recent dividend declaration proves this to have been the case.

On December 20, 1920, authority was obtained from the I. C. C. for the continuation of the American Railway Express consolidation, thereby assuring its permanence. Shortly thereafter, a new form of contract with the railroads was effected which amounted, to all practical purposes, to the railroads practically guaranteeing the express consolidation against loss.

Without going into the detailed provisions of the new contract, it is interesting to note that: **Had the American Railway Express Company's 1919 business been conducted under the new contract, the business in that year would have resulted in earnings of $2,492,785, or $7.20 a share, in place of a deficit of over $24,000,000; and if cost ratios had remained the same in 1919 as in 1916, these earnings would have been increased to almost $2,970,000 or about $8.60 a share. And these calculations do not take into consideration the increased rates which went into effect last September.**

Effect on the Companies

Referring back to the organization of the American Railway Express, it will be remembered that American Express, Wells Fargo and Adams received blocks of stock in return for their physical property and business which was taken over.

In the case of AMERICAN EXPRESS, the dividend declaration on the Railway stock it owns serves to further strengthen an already secure position. Based on such information as is available, the company has been making out very satisfactorily from the banking and tourist ends of its business. Since it has recently increased its dividend it is reasonable to conclude that the company is well supplied with working capital; and therefore it is not unreasonable to believe that the dividends now to be received from its American Railway Express holdings might well be distributed among the company's own stockholders.

The railway dividend, if it be continued on a 6% basis, will yield American Express an additional $736,260 a year, which is equivalent to about $4 a share on the company's own outstanding capital stock of 180,000 shares.

American Express shares are very much strengthened, from an investment point of view, by this added income.

WELLS FARGO & COMPANY has no funded debt and of the $24,000,000 authorized capital stock there is $23,967,400 outstanding. On January 20, 1921, the company published a statement of condition as of December 31, 1920. This statement showed that the net tangible assets (figuring stocks and bonds at current market prices, but excluding stock of American Railway Express) amounted to $13,436,000, or approximately $56 per share of capital stock outstanding. The $10,466,600 American Railway Express stock owned, which is now on a 6% dividend basis, must be worth at the very lowest possible

estimate $60 a share, or $6,280,200; and this is equivalent to about $26 per share of Wells Fargo.

Security prices today are generally higher than prevailing quotations at December 31, 1920, so that Wells Fargo must have a present liquidating value of at least $82 per share outstanding. And as the company has announced its intention to liquidate, the present market price of about 63 looks decidedly cheap.

The ADAMS EXPRESS Co. has probably been hit harder than either of the other concerns by the general confusion in the express business. The latest balance sheet, that of December 31, 1920, showed the stock to have a book value of about $78 a share, but this is considering the ownership in American Railway Express at par.

If the American Railway Express stock owned be figured at $60 a share, the book value of Adams would be about $31 a share. Under the proposed liquidation of assets, the amounts received may be greater than this figure while, under unfavorable circumstances, the shareholders might have large personal liabilities on account of their holdings.

Now that American Railway Express has gone on a 6% dividend basis, the Adams Express Co. will receive $714,258 a year, which amounts to over $7 a share on its $10,000,000 outstanding capital stock.

The company has a total funded debt of $16,324,000, due in 1947 and 1948, which is collaterally secured; but due allowance for these bonds was made in arriving at the foregoing figures. The company's income from securities owned and miscellaneous sources has been sufficient to pay all interest and charges. In fact, a comparison of the balance sheets shows that a profit and loss deficit of $3,342,017 on July 31, 1920, had been reduced to $2,126,792 on December 31, 1920.

The stock is quoted at about 33, at which price it appears to have attractive speculative possibilities, especially now that a substantial return will be received from American Railway Express holdings.

Readers' Round Table

"SOCIAL UNREST"

DORCHESTER, Mass.

Editor, THE MAGAZINE OF WALL STREET:

Sir: That article entitled "Social Unrest" is "good stuff." It should be printed in every newspaper in the country. (I hope our friend, Arthur, will read it.)—S. F. O. K.

(The reference is to an article on page 694 of our March 19 issue.—Ed.)

WHEREIN WE ARE TREATED ROUGHLY

GERMANTOWN, Pa.

Editor, THE MAGAZINE OF WALL STREET:

Sir:—As a subscriber I desire to call your attention to an article on page 612 of the issue of March 5 in which the Fort Worth & Rio Grande Railway Co. is mentioned as "one of the most important links of the system" ('Frisco system) and in which the 1st mortgage 4s of 1928 are favorably mentioned.

I would call your attention to the fact that if you examine an up-to-date railroad map you will find this "important link" is connected with the 'Frisco system *only* by the use of trackage over the Southern Pacific; that the road, this important branch, (Fort Worth & Rio Grande), has shown a large deficit from 1914 to 1919 inclusive.

The wording of the refunding phrase is such as to make one believe that in 1928 he will probably have to exchange his bonds for a 'Frisco 4 and if so his advantage in having a first lien may not be worth much. This, together with a couple of your suggested "switches" would rather convince me that any of your recommendations should first be thoroughly looked into on the investor's own account before making any commitment, and it has been a disappointment to me that such is shown, in my opinion, to be the case.—A. T. D.

The information you have gathered is decidedly erroneous.

Upon a close examination of any railroad map you will find that the FT. WORTH & RIO GRANDE RAILWAY is part of the 'Frisco System and is not connected by any trackage right over another road. The 'Frisco lines extend directly to Fort Worth, from whence the FT. WORTH & RIO GRANDE RAILWAY extends to Menard. The Southern Pacific line that you refer to is a branch extending from Ft. Worth to San Antonio on the main line. This branch line parallels the Ft. Worth line about 20 miles east of it.

The line which we think you refer to as linking this branch road to the system is the Gulf, Colorado & Santa Fe, a subsidiary of Atchison. Trackage rights over this line are used from Dallas to Paris, Texas, but this has nothing to do with the Ft. Worth & Rio Grande Ry. When the Frisco line leaves Ft. Worth, one line extends to Dallas from where the trackage rights are used, but the other is the system's own line which branches off at Irving and extends due north, through the oil fields of Oklahoma, direct to St. Louis, Mo.

You are correct about the FT. WORTH & RIO GRANDE operating at a deficit since 1914. That does not detract from the importance of the line as a feeder to the system, however. As a feeder to the system this branch line gives 'Frisco practically all of its long haul business from Texas. The importance of this cannot be minimized. It is often the case that essential links to a system do not show a profit from operations, but the value of the line as measured by the business that it supplies to the system cannot be tabulated in dollars and cents. If you are not satisfied with my statements as to the value of this important link we would suggest that you write to an official of the company to see what he has to say about it.

You entirely misunderstand the wording of the "refunding clause" of the bonds.

The clause says that the 'Frisco prior lien mortgage reserves bonds for the refunding, payment, purchase or acquisition of the FT. WORTH & RIO GRANDE bonds. This does not refer to any exchange at maturity at all. At maturity no power can compel you to exchange your bonds for the prior lien 4s unless you so desire. Holders who want payment at maturity the road is obligated to pay off. The reserve of prior lien bonds for refunding is only there in case present holders should desire to exchange their bonds. Holders of the 1928 bonds were offered prior lien 4s in exchange, at the time of reorganization in 1916. Some $1,400,000 of bonds were exchanged, the bonds remained outstanding and will continue to unless the holder at any time before maturity decides to exchange his bonds.

The interest of the FT. WORTH & RIO GRANDE 4s regardless of this line's earnings, will continue to be paid so long as the 'Frisco system is operating at a profit. The company is obligated to pay this interest before anything can be paid on its own bonds. There can be no doubt of the attractiveness of this issue at present prices.

We have gone into this matter with you at length because we are desirous of your understanding that no recommendations are made of analytical stories submitted by THE MAGAZINE OF WALL STREET unless they have been thoroughly investigated, and we sincerely hope this explanation will alter your opinion as to the service this Magazine gives to its readers.—Editor.

PUBLICITY FOR YOUR THOUGHTS

The editor of this Magazine is glad to receive knocks, boosts, suggestions, or just plain contributions from our readers. If a man writes down his thoughts he crystallizes them. If another man reads them, he may get a new point of view. It's a mutual benefit proposition. Let other people know what you're thinking. It will help us all to think *straight!*

Petroleum

Cities Service Company

What About Cities Service?

How the Company Has Developed Into a Large-Scale Oil Producer—The Present Stock Dividend Rate—Outlook of Its Undeveloped Holdings

By **HARVEY D. GIDDING**

CITIES SERVICE COMPANY has one of the largest list of stockholders of any company in the country. The available statistics show that only the U. S. Steel Corporation and American Telephone & Telegraph Company have a larger number of shareholders. No data is available as to the amount of Cities Service Company's securities held in Wall Street, but it is likely that such information would show the Wall Street holdings to be very small.

Development and Structure

In order to arrive at any conclusions regarding the present position of the company, we must look back briefly over its development and study its structure.

Cities Service Company is purely a holding company controlling about 120 subsidiaries. It was formed in 1910 as a holding company for public utility properties, and most of its subsidiaries today are engaged in the public utility business. In 1914, however, the Cities Service organization, in drilling for gas in Butler County, Kansas, struck oil; subsequently it developed one of the richest oil fields in the United States.

The development of oil production in Butler County, Kansas, marked the turning point in the Cities Service Company's affairs. Whereas, the company, as a public utility proposition, had been struggling along under adverse conditions, the discovery of oil completely changed its position and future. The earnings quickly mounted and the securities showed a corresponding increment in market value. By 1916 the earnings from oil operations were almost equal to the public utility earnings. By 1917 the oil earnings had climbed to three times the amount of public utility earnings, in 1918 to over four times, in 1919 slightly less than this rate, and in 1920 almost five times the public utility earnings. In 1920 earnings of the Cities Service Company in public utility operations were about the same as in 1915, while the oil earnings were ten times the 1915 rate. While Cities Service company is generally looked upon as a public utility organization, that branch of the business, as the figures show, is now relatively unimportant as far as the company's total earnings are concerned.

Principally in Oil Company Now

The company is today principally an oil company and it seems reasonable to assume that its future is dependent upon its development in the oil industry. In the accompanying table it will be seen that the oil production increased from 750,000 barrels in 1914 to 17,000,000 barrels in 1918, this being the peak; and that the 1920 output amounted to about 14,900,000 barrels. Of the 1920 production, several million barrels were from Mexico, whereas in 1918 the production was believed to be practically all from the light oil fields of the United States, principally Butler County. Whereas the bulk of the company's oil production and earnings has been derived from the Augusta and Eldorado pools of Kansas, the annual report, just made public, shows that 50% of the company's high-grade oil production is now being produced from pools in Kansas, Oklahoma and Texas, other than those in the older sections of Butler County, Kansas.

In other words, the peak of the great production in the wonderful pools which made the Cities Service Company seems to have been passed and the company would now appear to be dependent to a large extent upon other sources of supply.

Last year the oil producing subsidiaries drilled 192 wells in Oklahoma, many of them wildcats; 104 in Kansas, and 17 in Texas.

It was generally believed that the company would develop an important production in Texas, in view of its holdings of nearly 2,000,000 acres of leases in that State; but despite a large expenditure on drilling operations the Cities Service Company operations in Texas showed very meagre results. It was not one of the companies to benefit from the Texas oil boom.

In Oklahoma and Kansas (outside of Butler County) the company has developed some good properties, but expenditure on development work is believed to have been very large.

The company has been able to spend a large part of the earnings from production in Butler County in seeking to develop new sources of supply and this course has certainly been warranted; but as time goes on the earnings from the older rich fields will naturally become less; and it is only reasonable to expect that the earnings from the oil end of the business will continue to decline **unless some unexpected new development should occur like the original oil discovery in 1914.** This, of course, is always a possibility in the oil business. The element of luck is great, and it is both impossible and unfair to attempt to chart out any oil producing company's future. However, so far as can be observed from the study of the company's present position, it seems safe to say that Cities Service has passed the pinnacle of its success in the oil business.

The Company's Outside Sources

In looking to outside sources of supply, the company has acquired Mexican holdings which have produced a considerable amount of oil, but the Doherty interests have recently been laying stress upon the unfavorable outlook for the Mexican fields as a result of the intrusion of salt water.

Considerable attention has been directed to the company's interests in South America. In Colombia the company is interested in a large concession through an interest in the Colombian Petroleum Co. It is believed that these holdings are fa-

vorably located and have good possibilities for development, but before any earning power can be derived from this source substantial expenditures must be made for development work and transportation facilities. Little oil has been produced in Colombia up to the present time, although the indications for the development of some large oil pools appear to be favorable. No stand can be taken as to the potentialities of the Colombian acreage until development work has proceeded further.

TABLE I.—CITIES SERVICE COMPANY.
Stock Outstanding and Requirements Thereon.

	Outstanding	Dividend and Interest Requirements
Preferred Stock (6% Cum.)	$76,719,371	$4,603,162
Preferred "B" Stock (6% Cum.)	3,278,410	196,704
Common Stock (6%)	*43,440,587	**2,606,435
Convertible Debentures:		
Series A 5%	30,898	1,544
Series B 7%	6,547,540	458,327
Series C 7%	17,005,780	1,190,404
Series D 7%	3,031,800	212,226
Total	$150,054,326	$9,268,808

*Outstanding in hands of public December 31, 1920. Will be increased during year by stock dividends. **Stock dividend rate for current year is 15%.

In addition to the above securities, Cities Service subsidiaries have outstanding in the hands of the public $118,037,899 bonds and funded notes, $10,395,899 preferred stocks, and $5,140,595 common stocks.

The Growth in Capitalization

Now let us look at the financial structure:

At the close of 1914, just preceding the oil development, Cities Service securities outstanding amounted to about $53,000,000, while the subsidiary companies securities outstanding in the hands of the public totaled $78,000,000, making a total of $131,000,000 securities in the hands of the public. At the close of 1920 we find that the Cities Service securities outstanding amounted to about $150,000,000, while subsidiary securities in the hands of the public amounted to approximately $133,500,000, making a total of about $283,500,000. In other words, in the last six years the outstanding capitalization of the Cities Service organization has been increased approximately $150,000,000.

This new capital has been raised principally to take care of oil development, and it would not be reasonable to claim that it could have been raised without the remarkable showing made by oil revenues. By the same token, it would not be reasonable to talk about the company's ability to make a good showing on its present capitalization from its public utility operations if the oil end of the business should fall back.

The present outstanding capitalization of the Cities Service Company, together with the annual dividend and interest requirements on same, is shown in Table I herewith.

The gross earnings from public utilities will take care of interest requirements and would provide a balance equal to about one-half the preferred stock dividend requirements. The value of the preferred stock to a large extent, therefore, and that of the common entirely appear to be dependent upon the oil branch of the business.

Conclusions

In order to arrive at any reliable basis for values of common and preferred stocks, it would be necessary to have an up-to-date appraisal of the oil properties. It has been stated that the company has not marked up the value of its properties in line with their enhanced value as a result of oil discoveries. On the other hand the securities are selling above the value the writer would give them after a study of the balance sheet, the market valuation seeming to be based principally upon earnings and dividends.

The latter subject brings us down to the nub of the whole situation and explains more than anything else the wide distribution of the company's securities: In 1916 the directors decided upon a policy of distributing stock dividends in addition to the regular cash dividends of 6% per annum on the common stock, the stock dividend rate to be increased 3% per annum as earnings warranted such action. The stock dividend rate is now 15% yearly in addition to 6% in cash. This is what makes the return on Cities Service Company common stock so high, the present yield, counting the stock dividend, being about 15%, although the yield from the cash dividend alone would be less than 3%.

As earnings per share are now on the

TABLE II.—DEVELOPMENT OF CITIES SERVICE OIL PROPERTIES.

1914	1915	1916	1917	1918	1919	1920
Oil Production (Barrels of 42 Gals.)						
750,871	859,621	4,296,808	11,675,505	17,032,693	13,195,036	14,898,228
Change in Oil Production (Barrels).						
......	+108,750	+3,437,187	+7,379,697	+5,357,188	—3,837,657	+1,703,192
Oil Wells Owned.						
......	631	1,762	2,655	3,137	3,475	3,761

TABLE III.—DIVISION OF GROSS EARNINGS.
Public Utility and Oil Operations.

	1915	1916	1917	1918	1919	1920
From Public Utilities	$4,266,012	$5,573,116	$4,742,651	$4,229,563	$4,655,045	$4,609,911
From Oil Operations	213,787	4,537,226	14,509,841	18,050,504	15,321,605	20,088,127
Total	$4,479,800	$10,110,342	$19,252,402	$22,280,067	$19,977,550	$24,698,030

decline, the policy of increasing the stock dividend rate has been discontinued; it is an open question whether, as a matter of conservatism, the company would not be warranted in eliminating stock dividends altogether as they steadily add to the outstanding capitalization and consequently increase the cash dividend requirements from year to year. Under the period of rapid earnings growth which the company has gone through, increasing stock dividends was no doubt justifiable; but under present conditions this course of constantly adding to capitalization might be found unwise.—vol. 27, p. 319.

The Cities Service securities are dealt in either over-the-counter or on the Curb. At this writing, the common is quoted 245@248; the preferred 66½@67; the preferred "B" at 6⅜@6⅝; and the "Bankers' shares" at 29¼@29½.

HOW MUCH CAN GERMANY PAY?

The unfortunate outcome of the London conference at which the Allies, while demanding a sum stated at 226 billions of marks payable on the annuity plan, received an offer from the German Government amounting to 30 billions of marks—which was promptly rejected—has thus far been followed by no feasible means of accomplishment. Active measures for the invasion of Germany have, on the contrary, been taken by the French Government and the holding of certain German districts and towns as an earnest that the full claims made by the Allies will be paid seems to be unavoidable. Invasion is seldom or never a successful or economic means of collecting a large sum of money, but on the contrary, is likely to cost much more than it produces. The plan to take possession of German industrial regions and even to collect their customs duties at western ports of entry must inevitably be deeply humiliating to the Germans, but it is doubtful whether the results will be commensurate with the expense.

In all countries which have been deeply influenced by the recent war, internal taxation is by far the largest source of income and the customs duties are invariably a minor feature. Our own tariff revenue, for example, in the past year amounted to but little more than $320,000,000, while our internal revenue was over $3,900,000,000. If Germany should ever succeed in paying the sums demanded by the Allies she will do so as the result of full and active production and of heavy internal taxation based upon successful and vigorous business, and only in that way. The weakness of the Allies' claim seems to lie in the fact that they ignore these features of the situation and suppose that they can collect an unprecedentedly large reparations claim from a country which is passing through a period of readjustment or which has been in part seized and held pending settlement of obligations. The question how much Germany can actually pay under the very best conditions is a matter about which authorities differ. Even on the most moderate basis of amortization the 226 billion francs gold named at the Paris conferences is equal to more than $20,000,000,000 present value,—a sum which runs well up toward the total of our own war indebtedness and which would be superimposed upon Germany's home war debt.

Better Feeling in Oil Circles

Pennsylvania and Kentucky Crude Advanced New Louisiana Field?—Constantin Refining Company Makes a Profitable Deal

By **H. L. WOOD**

SHREVEPORT, La., April 16.

THE petroleum industry is looking up a bit right now and indications point to an active year's work everywhere in the United States. During the week the agreement by producers in the Mid-Continent fields of Oklahoma, Texas, Kansas and Louisiana—that produce approximately 75% of the high-grade crude and therefore the gasoline and kerosene—to abandon all drilling restrictions broke the tension existing since last December, and development work will now proceed unchecked. Every pipe line purchaser of crude oil is taking all the oil offered except in limited areas, and there is a much better feeling noticeable. **The price situation has changed by a decline of 25 cents a barrel, to $1, for all Gulf Coast crude, and by an advance of 25 cents a barrel in Pennsylvania and Kentucky, to $3.25 and $2.05. Producers take these price changes to mean a gradual stiffening of demand and prices and feel encouraged.** Quotations for refined oils advanced slightly in the Mid-Continent fields and remain steady in eastern territory, indicating better trade during the Summer months when automobiles are used more.

It may be said that the petroleum trade has recovered from the prevailing depression much quicker than other industries and may be expected to hold its stability and position. The production of crude oil is still slightly in excess of actual consumption, but negligibly so, and the industry is in shape to easily meet any increase in consumption without embarrassment, but consumption will not show any abnormal spurts until other lines of activity are on a stronger foundation.

North Louisiana Prospects

After two years of much activity, the Homer field, covering approximately one thousand acres, is slipping some, although still producing steadily. During the two years of its life, Homer has produced about $78,000,000 worth of oil and may be expected to produce as much more before becoming exhausted—somewhere around 26,000 barrels per acre to date. Homer leads other pools in North Louisiana by considerable margin at this writing, and has fully justified itself and its investors.

Within the month another possible pool of similar character has been indicated by the completion of a well fifteen miles northwest of Homer, a mile and a half south of the Arkansas state line, and it is now attracting the attention of the big operators. The oil is coming from a depth never before found productive—around 2,800 feet—a sand formation so far showing only normal gas and oil of 42 gravity, but only several feet in. This well is located near the center of a block of 10,000 acres controlled by Eugene Palmer, for many years with the Standard Oil Company, and J. E. Smitherman, a Shreveport lawyer. Illustrating the effect this well has on the trade, it may be mentioned that A. F. Corwin, president of the Carter Oil Co., 26 Broadway; E. J. Sadler, director and general manager of the Transcontinental Petroleum Co., Tampico, Mexico (Standard); Dan Weller, acting president and general manager of the Standard Oil Co. (La.), Baton Rouge, La.; Otto Donnell, vice-president in charge of operations for the Ohio Oil Co., Findlay, O., and his assistant, J. H. Berry, were in Shreveport during the week and looked over the property and made offers for it. The Gulf Refining Co. of Louisiana (Mellon interests of Pittsburgh) checked up the acreage and the well and is anxious to buy it. Fred King, general superintendent for the National Refining Co., Cleveland, O., was on the ground anxious to secure at least part of the acreage. The representative of a Houston, Texas, syndicate made an offer for the entire acreage.

Photo taken at night showing the burning gas well of the Caddo Central Oil & Refining Co. at Eldorado, Ark. The fire was extinguished by throwing steam from a number of boilers ranged about it. This well is now making some oil.

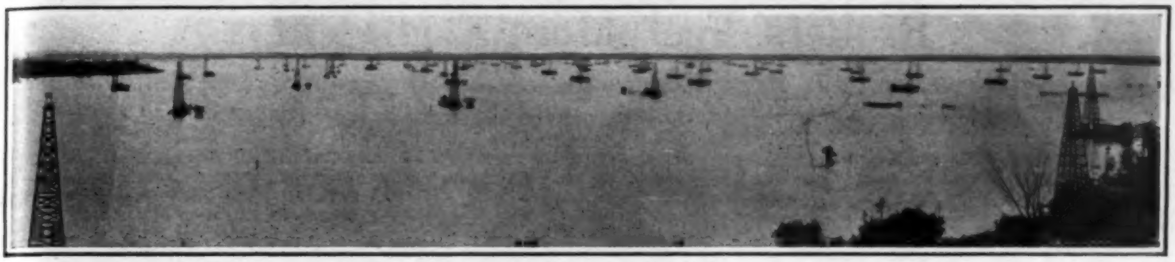
Palmer & Smitherman entertained all offers and promised to give a definite answer today. These offers were not made public, but the best one was around $16,000,000 for the entire tract of sixteen sections and others lower. These offers were based somewhat upon what the Homer field has produced, presuming that the Haynesville tract will be productive to the extent of a thousand acres corresponding to Homer's area, even though the total production will be only half as much. It is an interesting speculation, and to practical oil operators having enough capital to buy presents just such an opportunity as they are all looking for.

Outlining the Territory

About thirty-five miles southwest of the Haynesville well, in the east end of the Pine Island district on Black Bayou, and thirty miles northeast of Shreveport, the Dixie Oil Co. has a well in the same 2,800-foot formation that has been flowing 600 to 800 barrels daily for four weeks, the oil testing 45 degrees gravity and high in gasoline content. This well was drilled 20 inches below the 4-inch rotary hole with a 2½-inch "rathole" bit as a feeler, when the gas came and made a fine flowing well. The production would probably be greater in a 6-inch hole. This well is on a 637-acre lease and makes it look valuable. Soon after the friction developed in the Pine Island field in 1919 between pipe lines and producers that resulted in a complete shutdown, the Standard Oil Co. (Indiana) bought stock control of the Dixie Oil Co., of Denver, that owns considerable acreage in the Pine Island district, all the production of which heretofore has been from a 2,300-foot formation and heavy oil. The Texas Co. owns much acreage around the Dixie well, with a few very small leases just west of it.

About half way between the Haynesville and the Dixie wells the Louisiana Oil Refining Co. (Invincible Oil Corporation) has an unfinished test in the same deep sand that is showing considerable gas and a little oil, on the Gleason tract. The Louisiana company last November bought sixteen 80-acre tracts—one in each section—in the Palmer & Smitherman block at Haynesville, paying approximately $160,000 for it.

There is thus outlined by these three wells in the new deep formation an area about 35 miles east and west and possibly 20 to 30 miles north and south, the north edge being the state line. **At best only pools will be found in this area, but if one of them should be as extensive as Homer an important addition to the country's oil production would be made.** On the north the Eldorado, Ark., field, now in the throes of birth, is a landmark extending twenty miles farther. This territory will be given a good testing out during the Summer and Fall, and is about the most interesting prospect in the United States at



PINE ISLAND FIELD

A view of the Pine Island district, Northwest Louisiana, along Black Bayou, near the latest completion of the Dixie Oil Co., where a well in the newly-discovered 2,800-foot sand is flowing 700 barrels daily

this writing. It is a very unusual occurrence in oil fields that so many big operators personally visit a wildcat well and make such offers as at Haynesville, La. That they have seen fit to do so is an evidence that that territory is considered worth while and will be carefully gone over in the search for other similar pools.

Haynesville is six miles east of the west line of Claiborne parish, of which the town of Homer is the capital. To the west lie Webster, Bossier and Caddo parishes, the Dixie well being in Caddo parish, with Webster parish unproductive so far. Red river meanders through Caddo, Bossier, Red River and De Soto parishes, in which the Vivian, Pine Island, Bull Bayou, Creighton and Naborton fields are located. Caddo lake, Jeems bayou, Black bayou, Bayou Pierre and other bayous and lakes being tributaries of Red river and forming the general drainage area that constitute the rather prolific oil pools of Northwestern Louisiana. To the east of Claiborne parish lie Ouachita and Morehouse parishes, in which is located the rather phenomenal gas field on the east side of Ouachita river, and to the northwest, in the Ouachita valley, is the Eldorado field in Union county, Arkansaw—all geologically connected, and forming a wide oil-producing area, the first well of which was completed on Pine Island in 1906.

Eldorado, Arkansas

Except for the rather erratic gas field in Sebastian and Crawford counties, near Fort Smith, the development of which began twenty-five years ago, Arkansas has been without oil production until last August, when the Constantin gas well blew in and was controlled only after a month's hard work and the loss of seven lives. In November Dr. Busey and associates drilled into heavy gas, water and oil pressure, the rather spectacular exhibition of which caused great excitement that still continues with slightly diminished impetuosity. The Busey well, near the town of Eldorado, is now practically a dead one and shut in, but since then 33 other wells have been completed and approximately 100 wells and tests are drilling in an area about ten miles north and south and six miles east and west.

With about ten feet of sand carrying oil and plenty of salt water and heavy gas pressure intermingled, the Eldorado field presents some rather embarrassing and vexatious problems that have not yet been worked out sufficiently to warrant definite statements as to its future. Newspapers have mentioned 30,000-barrel wells at Eldorado, but "million feet" should be substituted for "barrel," as gas wells of that caliber are common enough there. The heavy volume of gas and water does things to the oil and changes its identity, causing an emulsion at times, and necessitating considerable revision before clean pipe-line oil is recognizable. The best well may produce 4,000 barrels of clean oil, but it may show more water and b. s. later. Estimates of the possible daily production at Eldorado have been as high as 75,000 barrels and as low as 15,000 barrels. Very little oil is being sold and moved, and until pipe lines are ready to handle all the oil and the wells can be turned loose steadily it is anybody's guess—and that's no guess. A Shreveport refinery is averaging 15 tank cars a day and the Indiahoma Refining Co. is averaging 5 cars a day, which constitutes the handled production.

Some of the Eldorado crude has tested 36 gravity and some has tested 30 gravity; some tests show 29% gasoline, some show 20%, the kerosene content being somewhere between 10% and 14%. A test of Eldorado crude made in an Oklahoma refinery, I have been reliably informed, shows an unusually high per cent of lubricant. Very little is known about the real value of the Eldorado crude at this writing—a detail that adds considerably to the general uncertainty and hilarity prevalent and very noticeable at Eldorado. One sale of crude oil was made at 44 cents a barrel, another at 67 cents and an offer of 85 cents brought no oil. These prices compare with $1.75 for best Mid-Continent crude and $1 for Gulf Coast crude.

There is an impression that when pipe line connection is made with Eldorado the price will be based on Gulf Coast quotations—$1. At this time not enough free oil is in evidence at Eldorado to establish a market.

Illustrating the Cost

The Constantin Refining Co. of Tulsa was given considerable acreage to drill a test well, which was a tremendous gas well, now used in Eldorado, and some thousands of acres were later acquired by the Constantin interests. The gas well probably cost close to $100,000 before it was controlled for commercial use. During the week the Standard Oil Co. (La.) purchased half of the Constantin acreage in Union county, checkerboarded in alternate 80-acre tracts, at somewhere between $2,500,000 and $4,500,000, Captain Constantin mentioning the latter figure. At either price it is a comfortable deal for the Constantin company, and certainly extremely interesting as a speculation to the Standard people. This is written advisedly, for a year ago the Standard of Louisiana paid S. S. Hunter $1,000,000 for less than a thousand acres and an alleged oil well at Stephens, 25 miles northwest of Eldorado. When finally invoiced the 5,000-barrel well proved to be a 30-barrel pumper for a few days and was abandoned last November, with half a dozen dry and wet holes surrounding it. All is not oil that gushes. Although the pioneer in the Eldorado field the Constantin Refining Co. has no oil yet, only gas.

Business in the town of Eldorado is good, attested by the fact that I paid $3 for a few hours occupancy of a room and cot, being merely one of three regular units, with a unit-at-large in fluent circulation—at the hotel de luxe of the city. I am not complaining, merely illustrating the trend of the cost of living in some sections of the republic.

Oil Industry Comfortable

Moving at a moderate stage, the Mid-Continent oil fields are now producing 750,000 barrels daily of the total United States production of approximately 1,250,000 barrels, compared with 850,000 barrels a day a year ago. The decline was brought about by reduced purchases of crude oil and cutting the price from $3.50 to $1.75 in three weeks, beginning last December and ending as to price-cutting in February and as to short runs a month ago and as to restricted drilling ten days ago. Not as much refined oil is now being used as a year ago and there is therefore slightly less demand for crude oil. There is an abundance of crude oil in the United States as a whole, and it could be somewhat increased if there was an insistent demand. The oil business appears to be most satisfactory when production is ample to meet every demand, with prices for both crude and refined satisfactorily adjusted at both ends. Scant stocks of both raw and manufactured material—favoring high prices for those fortunate enough to hold the monopoly—do not seem to encourage mass contentment. Prevailing petroleum propaganda encourages a belief in scarcity of crude oil that necessitates high prices for refined oils because of their scarcity. That propaganda isn't on straight, therefore is something of a deterrent to intelligent investment by the public in oil properties and securities.

Brokers Feel More Confident

Opinions of Outlook Generally Favor Constructive Market—Cautious Note in Most Opinions, However—German Indemnity Called Chief Obstacle to Recovery

Editor's Note—The opinions presented on this page were especially provided THE MAGAZINE OF WALL STREET by a number of prominent brokerage houses and investment bankers. It is worthy of note that the statements recognize fully the difficulties faced by the financial community and that in no case do they endorse thoughtless market operations. Probably the sentence most typical of majority sentiment is: "This is a good time for discriminate accumulation of stocks."

BOND PRICES SHOULD RISE—NEWBURGER, HENDERSON & LOEB

The industrial readjustment, while far advanced, is still incomplete. There remains to be made further cuts in Steel, in retail prices and in wages. Even when the decline in commodities is over, there may ensue a protracted period of inactive business before the next era of prosperity begins. Hence, admitting that stock prices improve several months before business conditions, we doubt whether the permanent market recovery is yet at hand.

The immediate outlook is therefore for a trading market with occasional rallies, based on the technical position and easier money rates. The latter influence should make for higher bond prices, among the best secured issues, especially Liberties.

MODERATE BULL MARKET JUST AHEAD—GOODBODY & CO.

We expect money rates to decline and commodity prices to turn upward in May or June. We, therefore, look for higher prices for all investment securities and for the stocks of many industrial corporations not badly crippled by depreciated inventories. Believing that railroad wages and rates will soon be reduced and adjusted, we would not be surprised to see railroad stocks lead a moderate bull movement next summer or fall.

SITUATION GRADUALLY RIGHTING—KNAUTH, NACHOD & KUHNE

The real effect of the steel price reductions announced by the United States Steel Corporation will become apparent gradually. Building construction, which for months has been awaiting this announcement, can now be resumed, and activity in this line will make its influence felt in other lines of industry. The buyers' strike is gradually forcing retailers to bring prices more nearly in line with wholesale prices, and where retail prices have already been so reduced, increased buying has been reported.

The situation in this country is gradually righting itself insofar as this is permitted by disturbed conditions abroad. European financial and industrial conditions are on the mend. The labor situation in Great Britain is much less alarming. France and Italy are both at work, while Germany after May 1 next, must put its full strength into the work of reconstruction.

The next few weeks are likely to be a history making period for Europe.

THE TURNING POINT—J. S. BACHE & CO.

The third week in April containing as it did President Harding's message, reduction of Steel Corporation Price Schedule, abrogation of National Railroad Wage Agreement and lowering of Boston Federal Reserve District pre-discount rate, will be, in our opinion, referred to later on as the "visible turning point of the year" in both security prices and general business conditions.

CONFIDENCE AWAITS CERTAIN DEVELOPMENTS—SPENCER TRASK & CO.

Before confidence can be fully restored, effective peace must be established, labor here meet changed conditions. Peace established, trade in Europe will revive, frozen credits be gradually liquidated, money become easier. Labor must give eight hours' work for eight hours' pay—lower pay at that. Active business will then revive.

HIGH TAXES CHIEF OBSTACLE—FARSON, SON & CO.

The financial condition of the United States today is on a sound footing. The business of the country is tremendously handicapped by the monstrous taxes. The surest way to help the condition of general business is to reduce taxes, with a corresponding reduction in Government, State and other governmental expenses.

We do not need nor do we want any sales taxes. We need a reduction of taxes and not a shifting of same. While there might be some benefits from this shifting of taxes, it would leave us in about the same position as a man jumping from one jail to another.

There has been entirely too much extravagance and wastefulness and too much taxation under such Government heads as Wilson and Hylan. The first real signs of efficient government and reduction of taxes have been shown by such efficient executives as President Harding and Governor Miller. We hope we will get more of the latter kind, and less of the former, for the best interests of the country.

TIME FOR INTELLIGENT ACCUMULATION—TAYLOR, BATES & CO.

It is our belief that the market is now at close to bottom prices, and that as the year progresses, securities will show a gradual improvement. The recent dulness after a protracted decline would indicate the completion of public selling. The average bear movement over a period of years has lasted twelve months, whereas the present one has continued about two months longer. Trade losses and difficulties have been very great and in many cases could not have been overcome except for the good business during the war which enabled companies to pile up large surpluses. Business, which has been groping for some time, at last begins to feel itself on firmer ground. More funds are becoming available for commercial and other purposes. Bear raids in the stock market have ceased to make a marked impression on the general average, which is now higher than last December. These several reasons cause us to believe that this is a good time for a discriminate accumulation of stocks.

SETTLE INDEMNITY, ADJUST WAGES, REDUCE TAXES,—THEN WE CAN BE CONFIDENT — SALOMON BROS. & HUTZLER

The end of the World War left in its wake a heritage of unnatural conditions. Among them may be cited the outpouring of vast issues of paper money by Government to procure the necessary means of financing war expenditures.

Increasing costs were often met through artificial means, such as instanced in government ownership of the railroads, where lack of sufficient revenue to meet operating charges was met through taxation, which, however, can no longer be endured by a management as a business expense under private control.

These expediencies created an unsound atmosphere in financial, social and economic life, but all of these entanglements are gradually being unraveled and there is every reason to feel that a body blow has been administered to doctrinaires of new methods of finance and to social quacks who paint pictures of a millennium which may be reached without work or endeavor.

With the settlement of the reparation indemnity abroad, adjustment of the labor wage scale and a reasonable reduction in the burden of taxation we may look forward to the future with hope and confidence.

WATCH FOR MARKET ADVANCE—WEST & CO. (PHILA.)

While big wages and bonuses were being earned, little **was being** saved, and even after it was evident that prosperity was on the wane, extravagance continued. Now while earnings are smaller, economy is being practiced and once learned this lesson will not be forgotten quickly. The utterances of the Chief Executive are never without a plea for economy. Hence we say the foundation of many successful years is being laid.

The improvement in our banking situation is evidence of this; the Federal Reserve ratio now accepted as the index being 53.5% as against 43.3% a year ago and the successive improvement shown each week making the showing very impressive. True it is that much of this improvement is due to imports of gold, but that is a most natural performance; receiving payment for goods shipped.

When this economy shall have lasted until capital has been created in sufficient volume to encourage enterprise, we shall

(Continued on page 941)

Common Sense in Speculation

No. 3. Leadership and the Trailers—Sympathy Stocks—Avoid the "Cats and Dogs" and Deal in a Standard Line of Goods

By **"MODERATO"**

MANY years ago "The Ticker," the worthy little predecessor of THE MAGAZINE OF WALL STREET, used to have many interesting stories on the subject of the market leaders, and the illustrations as to stock movements often referred to Steel, Reading, Union, Sugar or St. Paul. Even Chicago & Alton and Wabash found their rightful place there in the scheme of things.

As the Frenchman says *autres temps autres moeurs.* The world moves on and the endless white snaky ribbon is fickle in its choice of favorites, changing as the times dictate. The market of 1921 is a very different proposition from that of 1907. The kaleidoscope, that funny little toy with colored glasses and three mirrors that changes its patterns with every twist, is almost changeless compared with the markets we have had since 1914 on the Stock Exchange.

"Other times other ways" must be remembered by the trader or speculator who would keep pace with the times. He must wear cordovans with the famous rubber heels, in place of the old spring-side affairs that grandfather used to sport. We must have no particular likes or dislikes for old-timers or newcomers in stocks so long as they are real leaders and are likely to make money for us.

Leadership and Its Advantages

We submit for the reader's inspection a selected group of stocks, firstly group by group, and then by their individual names and market importance in their particular group. Opinions may differ, of course, and the writer feels that he is getting into debatable territory in committing himself so definitely to a choice of leaders. However, the stocks submitted have been watched, charted, classified, dandled, praised and reviled by the writer for very many years, day in and day out, and he believes they are at present the true leaders.

SELECTED LEADING STOCKS

Stocks	Range	Stop
STEELS		
U. S. Steel	15	3
Bethlehem "B"	15	3
Republic	15	3
OILS		
Pan American	20	3
Texas Co.	10	3
Pacific Oil	10	3
Sinclair	10	3
STANDARD RAILS		
Reading	15	3
Southern Pacific	15	3
Canadian Pacific	20	5
Chesapeake & Ohio	10	3
SUGARS		
Am. Sugar Refining	15	3
Am. Beet Sugar	15	3
Cuba Cane	10	2
CHEMICALS		
U. S. Alcohol	15	3
Allied Chemical & Dye	10	3
Virginia Carolina	15	3
LEATHER		
Am. Hide & Leather Pfd.	15	3
Central Leather	10	3
SHIPPING		
Am. International	15	3
Int. Mercantile Marine Pfd.	15	3
Atlantic Gulf & West Indies	†15	5
MINOR RAILS		
St. Louis-Southwestern Com.	10	3
St. Paul common	10	3
Western Pacific	10	3
MINING		
Anaconda	15	3
American Smelting	15	3
Inspiration	15	3
MOTORS		
Chandler	20	3
Studebaker	20	3
Pierce-Arrow	15	3
General Motors	10	2
EQUIPMENTS		
Am. Locomotive	15	3
Am. Car & F'ndry	15	3
Baldwin	20	3
TIRE STOCKS		
U. S. Rubber	15	3
Kelly-Springfield	15	3
Goodrich	15	3
FOOD STOCKS		
Corn Products	15	3
Cal. Packing	15	*
Am. Linseed	15	*
TOBACCOS		
American Tobacco	25	5
United Ret. Stores	15	3
Am. Sumatra	15	3

*Inactive—must be watched.
†Normal swing.

Occasionally it may happen that a stock like General Asphalt gets prominently into the limelight, and for weeks or even months it may be the cue for many others in its group to follow. It would be a temporary leader under such conditions, although its action may bear close watching for some time to see the "responses" in others from time to time—and if they answer to helm—there is no harm in substituting it in place of any of the other oils. The writer is not quite sure whether "Asphalt" is an oil, tar, a Latin, or a plain mystery stock, but it is certainly a good "Mixer" and money-maker for those who are fortunate enough to interpret its movements rightly.

But, exceptions do not prove the rule. The tabulation of leaders by group and name will stand good, until countermanded by another of those kaleidoscopic changes that come about in the market every once in a while.

The two sets of figures at the right of each stock should have a definite money value to our readers. The first set indicates the minor swings, or price axis around which our leader revolves without *in itself* causing any change in its fundamental status. Or, to put it another way: any of these leaders will respond to the law of supply and demand within a radius of so many points before entering the long swing up or down for say 30 to 50 points. On the theory that no one can buy at the bottom nor sell at the top, the most the best trader or speculator can hope for is a sizeable slice out of the middle of the movement—let us say from 7 to 10 points out of 15.

There are claimants to prophetic wisdom in Wall Street who would not be satisfied with less than 14½ points, but like most fish stories, these need some strong seasoning to make them palatable. Try and be right 55% of the time for only half the movement and you will not have reason to complain.

Specialties and Other Novelties

In recent years "specialty stocks" have often moved according to the trend of their own group but independent of the market. They do not, however, go against the main trend often; yet for various reasons trading in them is more than ordinarily hazardous. We cite some examples:

The former "Ryan" Stocks: Vanadium, Replogle, Stromberg, Chicago Pneumatic Tool, Stewart-Warner, Cons. Textile, Con. Candy.

It is more difficult to judge the technical position of these because they have not been so widely distributed and are probably "controlled." This also applies to many "specialties" among which may be mentioned:

Houston Oil, Royal, Dutch, Va., Iron, Coal & Coke.

Others by reason of their high price, close control, big "hidden assets" (alleged or otherwise) and manifold reasons are almost in the specialty class by reason of their volatile action, for example:

Crucible, Mexican Petroleum, Baldwin.

While specialties often "follow the trend," give plenty of action, and are satisfactory trading vehicles for the experienced professional, on the spot, ready to take big chances against the fascination of relatively greater rewards, their fast and erratic moves, and absence of real "stop-order protection" should deter all others from trading in them.

The active, standard, seasoned and medium-priced issues are the safest; and our selections are given in the lists in the order of preference.

(*Continued on page* 940)

Trade Tendencies

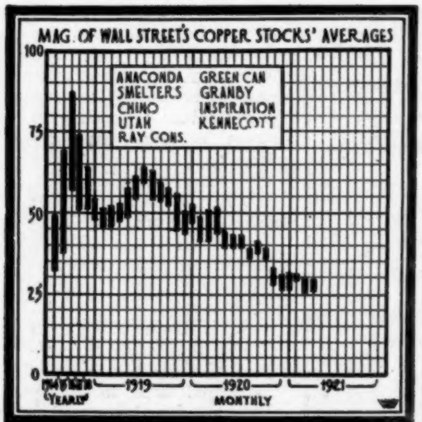
Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at conclusion.

COPPER

Conditions Still Unfavorable

NO important copper business is being transacted. Inquiries are comparatively light and scattered and the general sentiment connected with the industry is depressed. For a time, following the sale of the copper export notes, there was a little spurt in buying, but this has since died out and the condition of the industry fundamentally appears little better than for the past few months, despite some superficial activity.



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Copper has somewhat recovered from its low price of 11¾ cents a pound and is now quoted at 12¾-13 cents for delivery up to the end of May. It is understood, however, that the metal can be purchased in large quantities on a 12½ cent basis. Prices for further delivery into June and July are slightly above the 13 cent level, but these must be considered nominal as there is no buying of the metal for future requirements.

Industrial conditions have not improved sufficiently to cause a great absorption of copper. Whatever demand is now coming in is coming from manufacturers who allowed their stocks on hand to become depleted in the past few months. Even in the event of a material increase of demand in the near future, there will probably be no attempt to advance the price of the metal. Copper interests are mainly concerned with stabilizing the market. A sharp upturn in prices with a consequent reaction after the demand had been satisfied is not calculated to have a healthy effect. It is probable therefore that prices will range at these or perhaps slightly higher levels for some months.

The foreign situation at present is such as to cut off a great part of the foreign market. Normally 40% of our copper production goes abroad, and the elimination of this source of demand is a very serious handicap to the copper industry. This, however, as always, remains a potential source of improvement. When international conditions have been bettered, the copper industry will be among the first to feel the effects.

Practically none of the important copper producers are producing the metal. Their efforts are mainly confined to selling the surplus. Most of the mines of the country are shut down and there never was a period in the history of the industry which resulted in such little mining activity. However, this is a necessary feature in view of present circumstances. Present stocks of the red metal are sufficient for a nine months' supply, on the present basis of demand, without another pound of copper being produced.

The immediate outlook for copper is unfavorable, unless there should be a sudden turn for the better with regard to foreign conditions. However, unless there is a resumption of productive activity in the near future, the industry, within a few months, should effect a turn.

Within the past week, the zinc market has shown a little improvement which is the first time that this has occurred in months. The market, however, is still uncertain and shows no disposition to harden materially. Lead is in an improving position and it begins to appear that a fairly good demand is under way. Tin is somewhat firmer and a considerable advance in London was noted recently. Business is still light. This metal is probably in a stronger position than either lead or zinc.

THE TREND

STEEL—Attempt at price stabilization by cut in U. S. Steel schedules. Industry waiting the effect of this action. Slight increase in independent operations with U. S. Steel activities unchanged. Outlook improved. Pig iron production at bottom and metal in very strong statistical position. Operations should increase shortly.

COPPER—Prices firmer but no large amount of business being transacted. Production at low ebb. Surplus very large. Foreign situation discouraging. Immediate outlook not favorable.

BUILDING—Considerable increase in activity. Costs declining and labor more pliant. Money conditions still a barrier. General trend in building operations upward.

UTILITIES—Many rate increases. Lowered operating costs. Wage Adjustments. Earnings commencing to improve. Broad outlook is favorable.

COAL—Production of bituminous at very low point. Much unemployment. Few mines operating at capacity. Demand is very dull. Immediate outlook unfavorable but the situation should change within a few months.

RUBBER—Conditions slowly improving. Tire manufacturing on the increase. Demand is better than for months. Surplus tires gradually being worked off. Outlook is for continued expansion over the spring and summer months.

PAPER—Prices on the decline. Demand is falling and mill activities considerably below those of 1920. Outlook unfavorable.

TOBACCO—Manufacturing operations on the decline. Price cuts more pronounced. Sales falling. Position of industry rather unfavorable.

LEATHER—Demand for shoes improving. Shoe manufacturing on the increase. Specialties not doing so well. Hides in improved position. Industry generally improving.

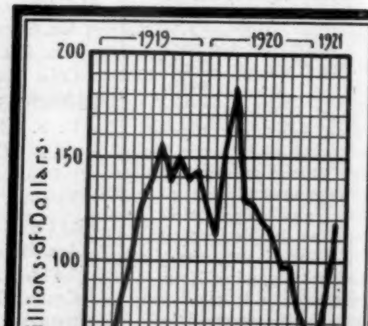
WHEAT—New lows made. Large crop prospects. Unfavorable foreign situation. This seems already discounted by present prices.

SUMMARY—On the whole, business activity is increasing although it is considerably below normal. Commodity prices still show downward trend. Railroad freight loading at lowest in many years. Decline in foreign trade. Situation highly mixed with a tendency toward improvement, although this is mostly due to seasonal considerations.

BUILDING

Expansion of Operations

INCREASING operations in the building industry since the end of March are directly the result of favorable seasonal influences coupled with the demand for new housing and building facilities. While building activity is not so active as last year this time, it nevertheless shows a definite trend toward gradual improvement. The trend is best indicated by the



(*Continued on page 934*)

fact that whereas January building declined 53% from the same month a year ago and February showed a decline of 25.6%, March building shows a decline of only 18.8% from the corresponding month in 1920. In other words the rate of building operations has advanced steadily since the end of last December. Probably figures for April will show an extent of activity equal to that of the same month last year.

While there is little doubt that conditions in the building industry will continue to improve, it is problematical that this improvement will be carried forward sufficiently to result in an unusually active year. Present levels of costs are still high, despite the decline in the price of some materials which enter into building, and in some sporadic instances there has even been a decline in labor costs. Nevertheless the general level of building costs stays close to the highest level. On the basis of such costs, rents must necessarily be high and the public, under present conditions, cannot pay such high rents. This must necessarily have a limiting effect on building activity.

There is also the question of money. There is as yet no great amount of available capital at low interest rates sufficient to permit cheap building. While it is considered likely that money rates will decline, it is highly improbable that this can develop in time so as to materially affect the rate of proposed building for the balance of the year.

However, it is encouraging to note that despite the present great handicaps a certain amount of necessary building is being done. It would indicate that as these handicaps are gradually removed, the extent of activity will become greater.

Certainly the demand for housing and other types of building is great enough to result in an active building boom once costs get down to a reasonable level. In this connection, it is encouraging to note the milder attitude of labor. For a considerable period, the building trade unions have exerted a tremendous influence toward maintaining a high cost of construction. To that degree, the matter of future costs rests in their hands. Recently developments seem to indicate that labor is more agreeable to changes in wages than has been the case for some time. If and when labor costs are sufficiently adjusted to result in considerably lower building expenditures, a real revival in the industry should be the outcome. In a general sense, the trend for the industry can be said to be upward.

RUBBER

General Improvement Noted

THE situation with regard to crude rubber and rubber manufactures now shapes up better than for several months. Crude rubber supplies throughout the world are slowly decreasing and there is noticeably less desire to sell on the present low price basis. On the whole, consumption of raw rubber is beginning to assume a pace that must necessarily mean an active crude rubber market within the next few months.

Owing to the automobile season and the increased output of new cars, the demand for tires is now better than since last autumn. Production is gradually increasing and a practically normal output is looked for by June. While it is not likely that a full rate will be maintained much longer after this period, it is almost assured that the general level of production for the next few months will be considerably above that of the first quarter of the year.

Reports from the leading tire-manufacturing centres indicate a steady increase in sales. It is probable that consumption of new tires for the present season will be about 75% of 1920. The surplus of 5,000,000 tires since January has been reduced about 20%.

Mechanical rubber goods, while improving, are not doing as well as other lines in the rubber industry. Production is down very considerably. Demand, however, is now beginning to pick up and a slow rate of improvement is expected for the balance of the year.

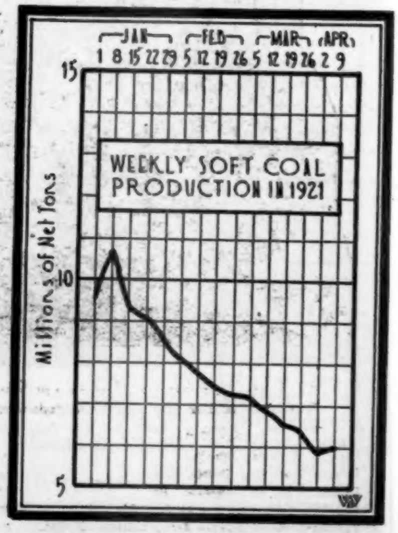
Rubber footwear is doing well and operations have been speeded up to meet the seasonal demand. Shoe manufacturers, who are now busier than early in the year, are commencing to place larger orders for rubber heels.

It is evident that the general rubber industry is beginning to get out of its slump. Demand for various rubber products shows an increasing tendency and this should continue to develop at least over the spring and summer months. While there will probably be nothing remarkable about the earnings reports for many concerns engaged in the various branches of this business, on the whole they should do better than they thought probable at the beginning of the year.

COAL

Approaching Under Production?

IT is now almost a year since these columns first pointed out that the soft coal industry was about to enter a period of



great depression. Events since then have justified that contention only too well. Analysis of the present situation, however,

indicates that a change is impending. The industry at present is in about as depressed a condition as any in the country. Prices are below the cost of production and the rate of output is at a dangerous minimum. Eventually this condition must end, and it is now only a question of several months when it will end.

Coal production (bituminous) is now at the rate of about 6,000,000 tons a week. This is about 57% less than the highest weekly average last year. At the same time, consumption has dropped off in about the same proportion so that at the present, both supply and demand are about equal.

As long as the present rate of consumption continues to about balance the rate of production, there is evidently no reason to anticipate a change from the present depressed condition of the industry. It is important, however, to recognize the fact that the present consumptive rate is far below normal and that an increase in absorption of soft coal without any corresponding increase in production, would have the effect of resulting in conditions similar to that of a year ago when a decided soft coal shortage prevailed.

Prices are likewise at the bottom, so far as the spot market is concerned. The contract market, however, remains high. As a result, the disposition is to take on tonnages in the spot market without making contract commitments. As the tendency is to broaden operations in the spot market, it may be expected that these prices will gain gradually until they about overtake the level of prices with regard to contracts.

There is no doubt that at present there is comparatively no demand for soft coal. Many mines have been forced to shut down simply because they have not had an order in months. Other mines are operating on a two- or three-day basis; and there are practically none working over four days a week. Merely a slight expansion in general business activity would have the result of creating a run on the coal market.

Anthracite production is maintained at nearly the peak and this is practically the only important industry in the country which has been unaffected by the depression. There has recently been a tendency toward lower prices but several important operators now announce a small advance commencing May 1. It is to be doubted that hard coal prices will decline again this year.

STEEL

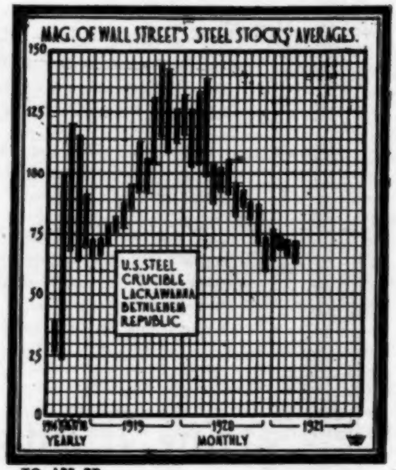
Sluggish Market Continues

IT is generally held that the action of the U. S. Steel Corporation in cutting its price schedules to the basis to which the independents recently advanced theirs thereby bringing the prices of both interests to about the same level should have a major influence in producing more stability in the steel market than has been the case since last September. The immediate effect of the Steel Corporation cut has not been discernible as yet, except in that it has accelerated the release of orders on the part of consumers who are in need of material. On the other

hand, it has not affected buying for purposes of covering future requirements in the least. It is still too early to attempt a definite opinion as to the general immediate effect of the lowered price schedule, although ultimately buying should be encouraged.

There has been some increase in demand for plates, shapes and bars although it has not reached remarkable proportions. It is confidently believed, however, that this market has seen a turn and that from now on things should take a turn for the better, although it will probably be a slow and gradual process. The automobile manufacturers, in particular, are active in the steel market. As a matter of fact, without their support little business would be doing at all.

Railroad buying is still at a minimum and there seems to be little prospect of an early improvement in that direction. The equipment companies are engaged mainly in repair work and comparatively few cars and locomotives are being made. Also the machine and tool shops are more



TO APR. 28.

or less completely idle on account of lack of demand from this quarter. The railroad situation, of course, is a serious impediment to a recovery in the steel industry, and it is difficult to see how this latter industry can reach a normal level of activity until the carriers are placed in a sounder financial position than they are at present.

Steel production shows a slight advance over recent figures. The Steel Corporation still operates at about 40% but the independents have increased their operations gradually until they now stand at about 35%.

Steel production is at a much higher rate than pig iron production. The total output of pig iron is now no more than about 15% capacity. However, it is now practically certain that the end of the declining movement in pig iron activity is in sight. This is evidenced by the fact that there is a very distinct improvement in the demand for foundry coke. During the past two weeks, interest in pig iron has increased very considerably. Inquiries are for large amounts and in one instance it was reported that an order for 15,000 tons had been placed. Scattering small lots are being demanded and these are a few of the signs that a revival in this branch of the industry is about to reveal itself.

PAPER

Big Slump in Industry

WITH the exception of newsprint, which generally remains firm, prices for paper products show a marked declining tendency. Even line papers and tissues which up to recently have not been much affected by the slump in other parts of the paper industry have experienced important price cuts. Reduction of 10% on fine paper have been made within the past several weeks and further reductions are held probable. Pulp has been cut about 11%. High grade bond papers and the cheaper grades are on the toboggan.

The tendency among manufacturers and jobbers is to sell almost regardless of price. Lack of demand from consumers is responsible for the situation. Stocks on hand are large and there is little inducement even on the present price basis to add to stocks for future requirements.

Production of newsprint is declining along with demand. Small independent manufacturers show a disposition to come down to the International Paper basis of 5 cents a pound. While, in some quarters it is strenuously denied that newsprint will be cut again, it seems difficult to escape from the conclusion that this must result on account of the new competitive conditions between the Canadian-American product and those of the Scandinavian countries including Germany. Imports of newsprint are not normal but they show a steady tendency to increase and the more these cheaper products come into competition with the home products, the more likelihood there is of a cut in prices. This is one of the dominant factors of the situation. The American interests are commencing to fear the influence of foreign importations as shown by their recommendation in favor of an increased tariff.

Lack of orders in the general paper trade has resulted in a very considerable reduction of working hours. Not many mills are working on full time and the tendency recently has been to further curtail working hours. The wage question is now up for discussion and while there has been violent talk on both sides, it is generally believed that a compromise will be affected.

So far it does not appear that the looked-for turn in the paper manufacturing industry has yet arrived. Conditions are still unfavorable and appear to be growing so progressively. The probabilities are that the spring and summer months will be dull ones for this trade.

PUBLIC UTILITIES

Steady Upward Trend

RECENT developments with regard to the public utilities indicate that, as a group, they are about to turn the corner. The tendency toward increasing earnings through the combination of increased

rates and lowered operating expenses has become quite pronounced.

Instances of rate increases are so numerous now as to be accepted as the general state of affairs among the utilities. Practically all groups are affected by the increased rates. Scores of tractions and many gas companies have been allowed to advance their rate of compensation and there seems to be a general disposition among the public utility commissions to favor the petition of the companies under their jurisdiction for higher rates.

City traction lines are doing particularly well as many of them have been allowed fare increases. Inter-urban lines, however, do not show such favorable results on account of the fact that few of them have been permitted to raise fares since 1918.

The increase in gas rates which is now so prevalent throughout the country is bound to bring about a greatly improved situation with regard to the companies affected. Some of these companies which reported deficits in 1919 showed a small net earning power in 1920 and in 1921 are expected to earn a very fair amount on their junior obligations.

The public utilities are additionally benefiting from the lowered operating costs. Both labor and materials are cheaper. Wages generally show some recession from the peak of 1920 and are expected to decline further as the cost of living declines. Few of the materials used by the utilities in their operation have not receded materially from the high prices of last year. Copper, coal and steel are a few illustrations of sharp full declines.

In general it would seem that the public utilities, as a whole, have their worst behind them. The growing recognition that public utilities are entitled to a reasonable compensation for their services is an encouraging feature. Very probably those companies which have not been too seriously affected by the past two or three years of declining earnings will again find themselves on a sound basis within the near future.

BUCKING AND BEING BUNKED BY THE BUCKETEERS

(*Continued from page* 891)

had sought; the Seventeenth was the day, 2 P. M. the time. It has been the convenient rule with most prophets to hedge their prophecies with so many qualifying and mysterious clauses that the layman finds it difficult to place a value upon their reliability. But the editor of this market letter was bolder and seemingly more certain of himself than the garden variety of prophet. He simply stated that on February 17 the market would reach bottom, and let it go at that.

A percentage of people—I wonder how large—believes everything it reads.

When I was just getting big enough to have dad's pants cut down for me, a colored exhorter came to our town to conduct a camp-meeting in the pine woods just over the railroad tracks. One moonlight evening, after the brothers and sisters had sung for the thirty-sixth time a hymn full of wailing minor chords so dearly

beloved by the colored folks, the preacher went into a trance and visioned the end of the universe on the following Saturday night. No man of color would dare vision any momentous happening on any other night, would he?

No washings were done in our town the balance of that week. The wash-ladies were all busy constructing gowns of white cheese-cloth and crowns of gilt paper. Saturday night came, and passed with but one untoward incident. Old Sol Royal, not wishing it abandoned to the great cataclysm, drank all the gin he could discover in the deserted homes of the congregation, and, by some muddled-minded manner of reasoning, decided that the exhorter was to blame for all the sins and troubles of the dying world. He found the dark-skinned prophet in his robe of white standing on the roof of Sister Green's house prayerfully awaiting the falling of the constellations, and the end of time. The latter came more swiftly than he could have anticipated, and from an unwatched quarter, when Sol soaked him on the crown with a broken wagon-shaft. I have been told by authorities in whom I have every confidence that this is the only authentically recorded case of a colored gent being fatally injured by a blow on the head.

But the colored brother was nearer right in his prophecy than the market-letter writer in his. Let's see what happened on the seventeenth: At 2 P. M. on that day many stocks were at their highs of the year. I won't bore you with figures; look it up if you care to.

It's an even bet that every customer who responded to the bucketeer's appeal for orders on February 17 has been wiped out since, or called on for more margin.

In Parting

In my corner-school days I was taught that a thesis or an essay should consist of an introduction, an argument and a conclusion. One conscientious teacher also told me that a moral should always be made a part of the conclusion. As it can't be possible that any reader of THE MAGAZINE OF WALL STREET has an account, or contemplates opening an account with a bucket-shop, I feel a moral would be a work of supererogation. Were I to make a conclusion fitted to the needs of the bucketeers' customers, I would simply borrow a prayer book and offer prayers for the dying.

WHAT OUR HUGE GOLD IMPORTS MEAN

(*Continued from page* 895)

above the present amount.

It is for that reason that it is to be doubted that the present gold movement will of itself cause inflation.

However, it is well to realize that the larger the amount of our gold supplies the more difficult it will be for the banks to take their present position with regard to credits and it is therefore possible—little as it is to be desired—that inflated prices may actually be the result, so that our large balance of gold movements may not prove to be an unmitigated blessing.

Money Rates

The most practical significance of the gold movement is in its relationship to money rates. It has been thought that the more gold we import the more likelihood there will be of cheaper money. With the Federal Reserve ratio advancing every week, speculative interests are getting restive and are complaining that there is no longer justification for high money rates. The mere addition of gold stocks to the reserves already held cannot result in lower money rates, however, as long as the rediscount rate remains at the present level. The possibility of easier money conditions, therefore, depends not so much on our supplies of gold as on the rediscount rate. Whether this rate comes down will depend altogether on the Federal Reserve system, but it cannot be said that it is likely to make a reduction under present conditions.

Too much emphasis is being laid on the improvement in the Federal Reserve ratio. Were this more the result of the liquidation of liabilities than of the great increase in gold imports, an important meaning might be attached to the higher ratio; but as a matter of fact the reverse is true. The advancing Federal Reserve ratio is due more to the gold movement than to the liquidation of liabilities. The amount of paper held by the banks against unsalable commodities and manufactured goods remains very high—although somewhat reduced from the peak and until this paper is sufficiently reduced the banks are not likely to furnish increased credit by way of lowering money rates.

Fundamentally, therefore, prospects for easy money depend almost entirely on an improvement in the credit position not through increasing gold holdings but through decreasing liabilities. When sufficient progress has been made along that line, there will be ample reason to expect lower money rates.

The Volume of Gold Imports

The large volume of gold shipments to this country represents an unbalanced foreign trade situation. When foreign importers are compelled to pay to a large extent in cash the meaning is that they have to that extent exhausted their credit resources. Generally such a movement tends to become cumulative and, **unless effective machinery is put into operation to enable foreign buying of our commodities on a credit basis, the result should be an increase in the volume of our gold imports.**

The extent of recent gold imports can be better appreciated by comparing them with those of this time last year. Whereas during the first three months of this year the excess of gold imports over exports was about $145,000,000, in the same period last year we were losing gold at the rate of about $35,000,000 monthly. Thus our position has been completely reversed. Instead of exporting gold in large quantities as in the early part of last year, we are importing the precious metal in even larger quantities.

Since Oct. 1, 1920, we have imported $380,000,000 gold. If this rate continues we will have imported this year close to $800,000,000 gold, or an amount greater

than that of any year in the history of this country. Our present gold holdings (see graph) amount to nearly $3,000,000,000, practically as large as the largest amount ever held by us.

Restriction of Foreign Trade

The most unfavorable aspect of the present rate of gold imports is its tendency to limit trade between this country and others. The results of this are already apparent. February export figures, for example showed a falling off of some $200,000,000 from the previous month. As we continue to import gold in large quantities—which is another way of saying that we are limiting credits abroad—we weaken the power of foreign consumers to pay for our goods and this will probably result in a further contraction in foreign trade if the movement is allowed to develop.

Foreign trade on a specie basis necessarily is smaller than that on a credit basis. In this respect it is like any business. Very few businesses could continue to thrive if they were compelled to carry on their transactions on a cash basis. This applies even more to international trade. The amount of gold available for trade between the nations of the world is so limited in comparison with the credit necessary for the purpose that it would be hopeless to expect any large volume of trade on such a basis. Only credit can restore a normal amount of business activity between the various nations. Without it foreign trade must wither, or at least decline to trifling proportions.

Payment does not have to be made in gold. It could be made and generally is made in commodities, that is when trade is on a healthy basis. But we are not accepting payment in commodities from abroad, for two reasons: first, because of the business depression over here, we require less goods from abroad than formerly, and, second, because not enough goods are being manufactured abroad to permit payment to us even if we were in a position to accept them. Under the circumstances, the only thing which we will accept is gold. (This of course is not literally true as we are buying some goods from abroad; but it is true in the sense that the tendency to demand cash rather than payment in kind is growing more pronounced.)

On the whole, the large volume of gold shipments flowing to these shores must be regarded as an unhealthy development. To that extent it represents the impoverishment of Europe although other parts of the world are similarly affected. Approximately 75% of our gold imports are coming from England, France, Holland and other European countries, the balance coming from China and other parts of the world.

The fact that we are profiting in a theoretical sense from our excess of gold imports over exports may be dismissed as being of comparatively small value as compared with the fact that our best customers are gradually growing more and more unable to carry on trade with us. It is very much of a question whether we can profit permanently from this development.

There is, however, a favorable side to the gold movement and that consists of the fact that it has a tendency to restore a greater degree of equilibrium with regard to exchange rates. In some instances, gold shipments are being made expressly for that purpose. Holland, for example, has initiated a new policy which looks toward consigning shipments of gold to the United States from time to time, and in that way gradually bring Holland's exchange to parity. The larger amount of gold shipments, however, is due to forced payment in cash by debtors who are unable to obtain necessary credits.

Conclusion

Viewed broadly, the tendency toward international trade on a specie basis, if carried to an extreme, is almost certain to produce further contraction in our foreign business. There is a limit beyond which it would be dangerous to tap Europe's gold resources without permanently impairing her productive capacity, thereby injuring her capacity to buy, and so, ultimately reacting on our own trade. It is obvious that such a situation requires rectification. We cannot expect the world to keep on paying us in gold indefinitely for the simple reason that there is not enough gold in the world for such a purpose. The logical solution is the restoration of financial aid in the form of credits.

One of the chief reasons why we are indisposed to extend credits abroad, aside from our own financial troubles, is the

fact that there is little confidence in the ability of European and other foreign consumers to pay back what they borrow. This, however, springs from the fact that the world is as yet unorganized for peace. When a greater measure of sanity permeates the councils of Europe, when nations give up the idea that it is necessary to destroy their neighbors in order that they themselves may be secure, and when at least a reasonable start has been made with regard to the establishment of international good-will, it will be possible to regard the promissory note of Europe as being backed up by something more than good intentions.

There is no use in denying that the credit of Europe is now sadly depreciated. Hence her payments to us in gold. The American exporter is not to be blamed for the situation. His is a natural fear for the safety of his property. The elimination of that fear is Europe's job.

THE MOST FAVORABLE DEVELOPMENT

Commenting on the action of the Railway Labor Board, James S. Alexander, president of the National Bank of Commerce in New York, said recently:

"The abrogation of the so-called National Agreements is the first important step toward the remedying of an almost intolerable situation. Negotiations must yet be had between individual lines and their employees, but the enunciation by a Government agency of the broad principles of honesty in work and fair treatment both ways as a basis for these negotiations is certainly the most favorable development we have had since emergency legislation separated railway employees from other labor in general."

COMMON SENSE IN SPECULATION

(*Continued from page* 931)

The best results are sometimes secured by spreading out commitments, rather than buying or selling round lots in limited groups. This means: it is better to buy or sell an odd lot of the first, second, or third in each group, rather than to buy or sell 100 or 500 U. S. Steel hoping that you have chosen "the one best bet." The "steels" may advance or decline little in comparison with the oils or sugars, and *vice versa*. Diversification is the secret of safety and profit in trading, unless you are a professional operator of unusual skill, equipped to get "in and out" practically in a flash.

If you are advised, or believe, that a certain group, for example "the rails and coppers" should have an advance, it is better to buy 10 Reading, 10 Southern Pacific, etc., 10 Anaconda, 10 Cerro, etc., than to pin your faith entirely on Reading or Anaconda by purchasing 100 or more of any one of them. The reason is: Southern Facific or Cerro may lead the advance, and their proportion of gain be more profitable than any one selected at random. Often at the beginning of a movement the unexpected happens, and it is best to spread your opportunity and hedge your risk.

Sympathy Stocks

Still a third line of stocks might be mentioned to complete our little survey of types. These are the stocks known in Wall Street as "sympathy" stocks that usually make a belated response to the leaders of secondary leaders. No arbitrary grouping of these is possible with exactitude, nor is it necessary. But, the observer will have noted that after a fair advance we will say in Republic Steel, U. S. Steel or Bethlehem B, some of the other minor steels will commence to respond; often the secondary group like Sloss-Sheffield or United Alloy; these are followed, about nine times out of ten by a belated response in Gulf States Steel, Nova Scotia and a few other trailers.

The advantages of operating in the latter is almost counterbalanced by disadvantages because the last to go up are not always the last to go down, and favorable action in them can only come, the writer believes, by those who are extremely close to the tape. On the rider "given two things of equal merit and advantage, which do you want?" the advantage of dealing in standard lines cannot be overestimated. The securities in the lists herewith are standard largely from the point of view of seasoning marketwise, and regularity of price movements at certain times. Remember that we are not discussing their merits as investments, but their ability to make money for us at the right time.

The Stop Order

The second list of figures indicates the etop order we advocate on all speculative trades. The average is a 3-point stop, and this protection should be the one golden rule of the trader, until some other form of insurance can be invented. We believe it is better to be stopped out than kicked out. It is better to take the punishment designated by yourself in advance, for possible faulty judgment, than to lay yourself open to unlimited punishment, and to have it administered by the margin man's boss. We will try to give some new angles on the stop order in a future issue.

Limited Risks in Inactive Stocks

There is a class of security that is extremely unsatisfactory to handle, and the cause of more disappointment and argument than most others. We refer to the listed inactive securities that are only quoted occasionally, sometimes missing days and even weeks without a quotation appearing. These inactive securities should seldom or never be bought or sold "at the market" nor transactions in them attempted without first securing a quotation at the time the order is entered. It is far better to instruct the broker to buy or sell at a certain price, and if the order cannot be executed on any particular day, then the order should stand "good till countermanded."

We need hardly quote the list of well known inactive stocks very extensively.

Obviously Eastman Kodak, Tidewater Oil or Texas Pacific Land Trust are almost notorious examples, that are likely to remain dormant for months at a time, and each quotation at wide variance with any preceding figure. Quoting from today's paper (April 20, 1921) we find a sale of Texas Pacific Land Trust, 10 at 245, an advance of 20 points from the last sale, and the market immediately thereafter quoted 210 bid, offered at 275. A sale "at the market" would now mean a loss of 35 points, and a purchase on same terms would mean an advance of 30 points. One can well imagine the broker's dilemma who is given orders "at the market" in stocks of this character; and the failure of a good many customers to understand why the broker should not be able to secure stock at 210 if given an order.

A stop loss order in this variety is tantamount to an impossibility, and were the writer a broker instead of a scribe he would not accept such orders. But all brokers are not built after the same pattern, and it is better not to take chances nor leave it to the broker's good taste and judgment.

Another type of inactive and unsatisfactory stock is the kind that changes hands at 1 full point or more between sales, and has no objection to recording a 3 to 5 point gain or loss between different trading days; for example American Linseed or Manhattan Elevated. Taking today's paper again as our authority for these statements, we find American Linseed last sale 45, a loss of 3⅞ points from preceding closing price, which is the equivalent almost of a 6 point drop in Steel! To make matters worse, American Linseed winds up a perfect today with this quotation: 44½ bid, offered at 47.

Contrast these happening with the same day's work in U. S. Steel (Steel is getting rather slow lately we admit). Final price is 81⅛, a loss of ¼ point, and final market for the day 81¼ bid offered at 81⅜. If the objection is made to U. S. Steel that we are chosing the absolute leader, we can turn to Studebaker that has been giving sufficient action to satisfy the most critical lately. Studebaker closed 78 with a final market quotation of 77⅞ bid, offered at 78.

The trader in inactive securities, with or without stop is in perpetual hard luck with himself and his stock, and at constant loggerheads with his broker.

Again we submit our counsel to the inexperienced, or partly experienced. Avoid the inactive issues until such time as you feel you have exhausted all the limited possibilities of the thirty or more leading issues.

BROKERS FEEL MORE CONFIDENT

(*Continued from page 930*)

see a new forward movement to business. Neither legislation nor argument can help or hinder much.

Such a forward movement has always been preceded by an advancing stock market. We should, therefore, be on the alert for such a development.

AN ACCUMULATIVE OPPORTUNITY —HAYDEN, STONE & CO.

Hardly a week goes by without a reduction or passing of some dividend rate. This is not the best kind of fuel for a bull market. Frankly, we believe we are not at the end of this process by quite a little. By mid-summer, however, we should have a pretty clear idea of what dividend rates may be regarded as permanent, and there should also by that time have been a fairly complete readjustment of the wage question, particularly of the railroad wage.

Meanwhile, while we should look for some still further adjustment of prices to probable earnings, we should in the broadest kind of way regard this as an accumulative opportunity.

A CAUSERIE WITH WALL STREET VETERANS

(*Continued from page* 889)

tem during hours when newspapers are not available. Each community served is thus given every advantage enjoyed by the metropolis.

"Our exchanges have frequently been compelled to defend their existence, but this is without special significance. Struggle for existence is the rule rather than the exception. The worshipper has the atheist, the Republican has the Democrat, the office-holder has the office-seeker, the owner of property has the Socialist, cotton has the boll-weevil, grain has the chinch bug. It is therefore in harmony with the rule of life for the exchange to have the abolitionist. If he who condemns, if he who would abolish, would study the subject as the impartial judge studies the case before him, much good would result, a better feeling would prevail.

"The investigator will find in the exchange much that is worthy of emulation. He will find that under the rules of the exchange the sanctity of a contract is the basis of business. That a contract is just as sacred when made by a signal, as if it were signed, sealed and delivered with ancient solemnity. That a contract of purchase and sale once made cannot be altered or cancelled to suit the whim of either party.

"The exchange and the private wire are now so thoroughly cemented in our commercial structure, that you could not separate them without injury to business.

"The war has left its mark on business throughout the world. The visionary, the dreamer, the blind, do not or cannot comprehend the great world problem resulting from war. There is much sympathy for the farmer because wheat and cotton are at pre-war prices. Was there any sympathy for the consumer when wheat and cotton were in the luxury class, when only the war profiteer could afford to purchase either? The farmer held his grain and cotton and has paid the penalty. The merchant and manufacturer also paid the penalty because of depreciated inventories. The capitalist also paid the penalty through depreciated securities and excessive taxes. The soldier and sailor also paid the penalty by sacrifices that cannot be measured in dollars and cents.

"The exchange was not responsible for the famine prices because of the war, and is not responsible for the prevailing prices. Values result from world conditions. The exchange is merely the place where the trade is consummated and the price recorded. It is time for common sense."

THE RAILROAD'S DILEMMA

In remarks to stockholders, Chairman L. F. Loree, of the Kansas City R.R., said:

"On one of our branch lines we run a passenger train making two round trips each day. On this train we employ a colored porter, who also acts as a brakeman. In 1909 we were paying this employe $44.80 per month. In 1914 we were paying him $47.80 per month. Due to the various changes made by the Director-General and continued by the United States R. R. Labor Board, we paid him in November, 1920, $266.71; December, 1920, $281.07; January, 1921, $271.89; February, 1921, $237.83. He could readily be replaced at $75 per month, were we freed from the shackles of the laws which fix both conditions of employment and rates of pay."

A UNIQUE LONG-PULL SPECULATION

(*Continued from page* 909)

No Oil Found Thus Far

Thus far no oil has been found on any of the trust's extensive land holdings. The discovery of oil a few miles away from one of the properties in Reeves County led to some activity in this territory, and as a result the trust leased out some of its lands to individuals and concerns in quest of oil. Income from this source increased from $9,900 in 1919 to $236,377 in 1920. The lessees are obligated to pay the trust one-eighth royalty on any oil found. While no oil has thus far been found, drilling proceeds. Should the precious fluid be discovered, the effect on the market price of the certificates would be very great.

However, the oil element can be disregarded in estimating the potential value of the certificates. The fundamental considerations bearing on this security are first, the rate of certificate redemption, second, the rate of land reduction and third, the increase in land values. Inasmuch as these factors are operating favorably and will probably continue to do so over a broad period of years, the certificates should gradually enhance in value, purely as an agricultural proposition. Of course, if oil is found it will make them all the more valuable. This is a security which can be bought with confidence as to its ultimate prospects and it should turn out to be an unusually profitable venture—provided the investor has the requisite patience to place his money, without interest, and with the ultimate value of the certificates as the sole consideration.

A REAL INDUSTRIAL COME-BACK

(Continued from page 910)

is now on a 4% annual basis. The present corporation has no funded debt.

The company undoubtedly benefitted largely by the business boom during the war, but unlike many concerns, its production and profits have not fallen off to any appreciable extent since the armistice. The diversification of its production and the staple lines carried, have enabled Allis-Chalmers to operate its plants at high rate of production. On the basis of the company's quarterly reports the total sales for the past calendar year amounted to over $31,500,000 which was exceeded only once before in its history, and the net profits amounted to almost the same as for the previous year. One of the gratifying features about the earnings for the past year, is that the net profits of the last quarter were very substantial, amounting, after Federal taxes, to more than $1,000,000 compared to only a little over $760,000 for the corresponding quaring quarter of 1919.

During the past five years the company has earned on its preferred stock over $120 per share, while only $47.50 per share—including back dividends—were paid out on this preferred issue during the same period. The excellent financial condition of the company is reflected in the increase in working capital from $11,508,000 in 1914 to over $22,000,000 in 1919 and this working capital should be still further increased by the excellent showing for the past year.

Unfilled orders on hand at the beginning of the present year aggregated more than $17,000,000 or enough to enable capacity operations for about six months if no other business should be forthcoming. However, it was estimated at the same time that new orders were coming in at the rate of over $2,000,000 monthly which alone would furnish enough work to permit operations to be conducted at 75% of capacity. This new business together with the orders on hand should enable the company to make a good showing for the present year.

Conclusion

With its substantial working capital sufficient to retire all the preferred at par and over one-fifth of the common stock, Allis-Chalmers is in a very strong position and has not needed to borrow from the banks. In these days when money is so hard to get and the rates demanded so high, it should be a very great source of satisfaction to the stockholder to know that his company is in a strong cash position.

There is no funded debt, consequently, the 7% cumulative preferred issue has first claim on earnings and at 80 yields over 8.7% on the investment. While this issue cannot yet be classed as a first grade preferred stock, its investment position is becoming more and more secure and its speculative possibilities are substantial.

The common stock, upon which dividends are being paid at the rate of 4%

per annum, is still in the speculative class. At 36½ the common yields, on the current dividend rate, almost 11% on the investment.

The company carries on its 1919 balance sheet patents, good-will, etc., at $19,427,-342; deducting this figure, gives net tangible assets applicable to the common of over $64 per share. However, if the company continues to do business at the present rate, values behind the junior issue should increase rapidly, and the common stock might well show a corresponding appreciation in value.—vol. 27, p. 495.

SWEDEN

(*Continued from page* 893)

and this is due to the low exchange value of the currency of these countries, which enables them to sell at prices below the Swedish cost of production.

The textile industry has no doubt suffered most from the present depression. It was in this industry that the world crisis started. The drop in prices has also been largest in this industry (with the exception, perhaps, of bituminous coal). The following figures showing the imports of textiles will give an excellent view of the critical situation faced by the textile industry:

The import of woolen cloth, which in 1912 amounted to 862.9 tons, increased in 1919 to 3,342.1 tons, and in 1920 to 4,277.9 tons. The import of cotton cloth amounted in 1913 to 1,905.1 tons in 1919 to 7,118.4 tons, and in 1920 to 9,525.5 tons. The import of knitted woolen goods, which in 1913 amounted to only 136.0 tons, increased to 293.1 tons, in 1919, and 667.6 tons in 1920. The import of corresponding cotton goods was 153.7 tons in 1913, 459.5 in 1919, and 763.8 tons in 1920. Even taking into consideration the necessity of increasing these imports to fill stocks depleted during the war, it is most obvious that such a tremendous textile import must handicap the Swedish textile industry seriously. The work in this industry has naturally had to be reduced considerably. It is estimated that the employees have been reduced by about 25 per cent, and the hours of work also by about 25 per cent, equaling a total curtailment of production of about 50 per cent.

The tanneries and shoe factories have suffered severely because of the unprecedented import of shoes, which, during 1919, reached 152,577 kg., and, in 1920, went as high as 743,468 kg. The corresponding figure for 1913 was only 41,915 kg. The sole leather industry has fared better, due partly to the law regulating the loading of leather, which has checked the import. In view of the fact that no stocks of wholly manufactured articles have been kept on hand, the reduction in prices has been accomplished without any serious consequences. The upper leather industry, however, has had its difficulties.

In **the chemical-technical industry** the soap factories have met with insurmountable difficulties as regards competition with foreign countries in certain lines of the industry. The import, in 1919, aggregated 2,405 tons—equaling almost the import and domestic production put together before the war. In 1920 the import was 1,165 tons.

Even though the situation of the Swedish industries, as described above, may not seem very bright, there are circumstances to be reckoned with which no doubt warrant our looking to the future with confidence. The falling off in prices of raw materials and fuel has already been mentioned in the foregoing. In this connection it should be pointed out that Sweden, during the war, has become accustomed to utilizing her national resources; her water-power has been harnessed for electrical purposes to a great extent, her industry has adapted itself to the use of domestic fuel. This makes Sweden less dependent than hitherto on the outside world. Another factor of great importance is the reduction in wages which is steadily going on. It is estimated that at the present time at least 60,000 workmen, of which 30,000 are employed in the iron industry and 20,-000 in saw mills, have agreed to an average wage reduction of 20 per cent.

III.—SHIPPING

How Depression Has Affected It—Are Rates at Bottom?—War Loss of Merchant Marine

SWEDEN'S shipping has also felt the effects of the general depression. Declining freight rates, a surplus of tonnage, diminishing profits from the shipping business and lessened activities in the ship building industry are, of course, prevalent at present in the shipping situation. In addition to this, a strike has occurred recently in the merchant marine. Some time ago the engineers discontinued their negotiations for a new wage agreement and ceased work on board the vessels.

In spite of all this, the coastal as well as the foreign shipping has been maintained—even though on a smaller scale—and the traffic on the regular transatlantic routes has been continued practically without interruption.

Absolute rock bottom prices are being quoted at the present time on the Swedish freight market. Coal rates from the English east coast to Gothenburg are down to 10-12 kroner. Corresponding rates were about 20 kroner at the end of 1920. Lumber freight rates from Sweden's east coast to the east cost of England, which at the end of 1920 and the beginning of 1921 were quoted at 90-100 sh., have now dropped to 50-65 sh. Indications are, however, that freight rates will increase gradually during the coming months. This is really absolutely necessary in order to balance the debit and credit accounts

for the operation of the vessels. With this end in view it is also essential that some of the tonnage now laid up be reinstated in the traffic.

Sweden's merchant marine was materially reduced during the war. The present tonnage is about 35,000 gross tons less than the total tonnage before the war. The losses sustained during the war were made up largely of old vessels, which since have been replaced by new ones. The Swedish merchant marine consists at the present time of 2,790 vessels of a total gross tonnage of 1,175,000 register tons. The big profits so easily derived during the years of the war were used for the acquisition of new and modern vessels, modeled from the so-called Swedish motor vessel type. Hand in hand with this acquisition of new tonnage the Swedish ship building industry experienced a boom. War conditions made it difficult, and also very expensive, to place orders for such vessels in foreign countries. Swedish ship yards, which before the war, owing to competition, had been confined to the building of medium-sized vessels, were thus enabled to take on contracts for a considerable share of the vessels to be constructed for Swedish ship-owners. The Swedish ship yards built and launched, during the years 1916-1920, a total of 203 vessels, aggregating about 208,000 gross register tons. The completion of these vessels will keep Swedish ship yards in operation for some time to come. But new orders are rather scarce.

IV.—SWEDEN'S FINANCES

How the Budgets Have Been Financed—The Change in 1920—Present Position Strong

THE economic, and even more so the enormous and radical price revolution, exerted a deciding influence on the finances of the Swedish Government during the last few years. No real difficulties were experienced as long as rising prices and the general prosperity continued. The fears that obstacles might be encountered in meeting the constantly increasing expenses proved exaggerated. On the contrary, large surpluses accrued, due principally to a tremendous revenue derived from income and war taxes. These surpluses aggregated, during 1916-1919, respectively, 91, 261, 329 and 389 million kroner.

The general trend of the Government finances in relation to the price fluctuations mentioned above is best shown by the following table, giving the amounts on which the government budget was balanced during the years 1914-1921:

(Million Kroner)

1914....	274	1918....	1,638
1915....	385	1919....	945
1916....	401	1920....	929
1917....	688	1921....	*1,131

(*219 of which is estimated.)

The high figures for 1918 are due principally to the necessity of supplying operating capital for commissions created during the war, which capital,

however, has been refunded to a great extent.

Another decided change was brought about in the government finances by the great decline in prices. Indirect taxes (import duties and stamp taxes) remained proportionately stationary, consequently depreciating in value as prices dropped, but the large business incomes created a new source of increased taxation—especially in the way of excess income taxes. The importance of this change is realized when it is stated that direct taxation in 1913 produced only 43 million kroner—or 17 per cent of the total government income—while, during 1918, no less than 571 million kroner (or 70%) was derived, the value of the indirect taxes dropping at the same time from 56% to 20%. Even the revenue from government business enterprises (railways, postal, telegraph, forests and waterfalls) have undergone material reductions—from 21% to 8% of the total government income—partly due to the omission of increasing the taxes in proportion to the decline in money values, partly to increased wages as well as enormous advances in the price of coal.

The budgets have been financed to a great extent by loans in addition to money otherwise derived. It should be observed, however, that money obtained principally from internal loans has been applied mainly to the Government's productive funds.

The financial situation of the Government passed through a decided change in the fall of 1920, caused by decline in prices and the economic depression. The immense war profits, which were the basis of taxation, have been eliminated, and the direct taxes have consequently yielded less revenue. The excess profits taxes have been entirely abolished from the beginning of this year. Due to greatly increased imports, the revenue from import duties has simultaneously increased materially. Direct taxation is estimated to have yielded, during 1920, 45 per cent, and indirect taxes 42 per cent of the total Government revenue, while the income from Government enterprises is estimated at 10 per cent.

With the advent of depreciation, a further strain was experienced in the money market, and governments have found it necessary to refrain, as much as possible, from taking up additional loans. As a consequence, the Swedish Government has reduced such items calling for increased capital for Government enterprises included in the budget for 1922, which were to have been financed by loans. The capital increases requested were originally 340 million kroner but have been reduced to 147 million kroner.

The Minister of Finance has furthermore endeavored to reduce the estimates in the budget as much as possible in order to balance the Government's income and expenses without having to resort to new taxation. It has been considered necessary, however, to propose the increase of certain import duties, especially those on colonial products. Parliament has, however,

turned down one of these proposals, namely an increase in the duty on coffee.

The Government's financial position at the end of 1920 must be considered very satisfactory. The total Government debt has been reduced, during 1920, which may be explained by the fact that during that year an excess above the estimated taxes was derived. At the end of the year this surplus reached 425 million kroner. As a result of this large Government income the debts of the war commissions have been liquidated to a large extent.

The Government debt at the end of December, 1920, was:

Funded debt	1,280.6 million kroner
Temp, loans	216.0 million kroner
Total	1,496.6 million kroner

The Swedish banking system has maintained its solidity during the depression. The capital and surplus of the Swedish banks amounted in 1920 to 13 per cent of their total assets, whereas the corresponding figure for American and British banks was less than 10 per cent. The shares of the banks are quoted on the stock market at above par and have risen considerably during the first months of 1921.

WHAT IS THE STOCK EXCHANGE FOR?

(Continued from page 887)

production have created a greater need for markets than ever before in history. As a result, we have today specialized markets in hundreds of commodities that did not even exist a hundred—fifty, yes, even twenty-five years ago. Among these recently created markets, can be numbered the markets in credit and securities.

Security Markets Least Understood

Now most business men can see the obvious necessity of having markets for the various physical products of industry. Yet they are not always willing to concede the equal necessity for money markets and stock markets. Indeed, a perpetually indignant section of our press would have us believe that stock markets are simply gambling dens, and centers of depravity and iniquity generally.

If such were really the truth, then obviously the quicker we closed the stock exchanges, the better. But when we come to look into the matter, we discover that stock exchanges have been in continuous existence in every civilized country in the world for the last century, and that the more prosperous any given nation was, the greater and more numerous have been its stock exchanges. **We also find that the only man who has ever seriously attempted to permanently close the organized speculative markets is Nicholas Lenine, the Bolshevik autocrat in Russia, and that as a result of his efforts, speculation has grown in every commodity, even though he has forbidden it under penalty of death; and that the net result of his attempted improvements has been the economic prostration and ruin of industrial Russia.** It would seem, then, that stock exchanges must somehow serve a useful, even an indispensable service to business gen-

erally. Let us, therefore, inquire more concretely into exactly what these services are.

Perhaps the economic services of stock exchanges, and of the New York Stock Exchange in particular, will be a little clearer in our minds, if we consider the circumstances under which the latter market was brought into being.

About 1792 the first security market was organized in New York as a place where the various United States government bonds of that day could be bought and sold. This original New York market also assisted our earliest banks and insurance companies in selling their stocks. At first, however, there were no railroad or industrial securities traded in, since the stock corporation had not yet really made its appearance in the business world. In consequence, this early New York securities market was a small affair, and it began very humbly in the dust and heat of what was then a village street, under an old buttonwood tree which used to stand at 68 Wall Street.

The Stock Exchange's Chief Impetus

But the Industrial Revolution, which so swiftly followed the discovery of steam power and its application to railroad transportation and industrial production, not only revolutionized our methods of transportation and manufacturing, but our whole securities market as well. The employment of steam power made necessary the larger unit in industry, and at once led to the creation of stock corporations with stocks and bonds to sell. This whole transformation was well illustrated by the early history of the locomotive engine in this country. Even after the inventors had proved that their new iron contrivance could haul unprecedented loads along steel rails at an unheard-of speed, business men for a time remained skeptical. Their attitude was that while this locomotive was all very interesting, nevertheless it was impractical, because railroad systems with their miles of tracks and their hundreds of cars and locomotives, would cost more money than any few wealthy men could put up. But soon it was discovered that **what a partnership of a few wealthy men could not do, a stock corporation with hundreds and perhaps thousands of partners might be able to do with ease.** As a result, private stock corporations were created in great numbers.

But the new corporation managers found that it was one thing to organize a company and print off stock and bond certificates, but another to *sell* them; and a third thing, to *keep them sold.* Accordingly, a large number of these corporation stocks and bonds came into the small New York securities market, which at once began to grow to large proportions. Back in the 30's the brokers used to boast of days when a few thousand shares of stock changed hands in this market, while today one and two million share days have become commonplace. The corporations found that a stock market was needed to distribute their new securities, and render them purchasable and salable at any time. It was largely owing to this security market in Wall Street, that our great railroad companies obtained the enormous sums of money needed in establishing their vast steel highways all over this country.

Later on, when America began to become a large-scale manufacturing nation, the industrial corporations had the same experience that the railroad men had had before them. They found that just when their securities were new and weak and hardest to dispose of, the stock exchange was able to give them very valuable assistance in marketing both their debts and their shares.

In this way the New York Stock Exchange has developed into the principal market for American government and corporation securities. It has, of course, derived most of its present prosperity from the dealings in the railroad and industrial companies which listed their shares upon its market, while on its part, it has rendered these corporations a real service by marketing their securities. **The Stock Exchange and American industry have consequently grown up together, and shoulder to shoulder have fought their way from insignificance to prosperity and achievement, by rendering mutual and indispensable services to each other.**

To some extent, in describing the origin and growth of the Stock Exchange, I have already indicated what these services are that stock markets are able to perform for manufacturers, merchants and business men generally. Yet, even at the risk of repetition, I wish to speak more specifically about these services.

How the Exchange Serves the Public

In the first place, the Stock Exchange, by making readily negotiable the vast amounts of American stocks and bonds, makes investment possible. If securities were as hard to buy or sell as—say—real estate often is, we would find it very difficult to persuade investors to buy them, and in consequence all our industrial system would slow down, if indeed it could keep running on its present scale at all.

At present, the estimated value of the stocks and bonds listed on the New York Stock Exchange is approximately sixty billion dollars. They cover the whole vast panorama of our national industrial and commercial life. If some economists are correct in estimating our total national wealth at 300 billion dollars, this means that one-fifth of our national wealth is rendered readily negotiable by the work of the Stock Exchange. Every business man knows that "a thing is worth only what you can sell it for." No matter how gilt-edged your bonds may be, no matter how well secured your stocks may be, they are worth only what you can actually sell them for. When this fact is remembered, we can get a better conception of the vast services which the Exchange performs for the whole nation, by maintaining a market in which this huge amount of securities—more than the total national wealth of many nations—is rendered negotiable every hour of the business week.

And, secondly, **the Stock Exchange performs an invaluable service to American business, by shouldering a large part of the task of distributing securities for companies who need funds to prosecute their business.** This fact is sometimes forgotten by the manufac-

turer, since he usually sells his stock issues or his bond issues directly to a banking syndicate of underwriters. But such syndicates could not do this work without an organized security market in which they can later market these securities.

The distribution of securities to investors is not completed in a single day, or even a single year. Furthermore, a bad business year may result in a given stock's being thrown back on the market by frightened investors in it, and thus the work of distribution has to begin all over again. **The Stock Exchange makes this constant shifting of investments possible.**

It must be remembered that securities, like individuals, are weakest when youngest. It is harder to market them when they are new, than at any other time. All the aristocrats of the Board today, including such stocks as U. S. Steel, U. S. Rubber or American Sugar Refining, were once weak and highly speculative securities. Except for the broad and constant speculative market provided by the Exchange, these strong and splendid companies might never have attained their present enviable position.

The Importance of Speculation

I have said that the Stock Exchange is a speculative market. In spite of the vast prejudice against speculation which exists today, nevertheless, that is the Stock Exchange's main virtue and chief economic justification, for the fact remains that speculation is a very vital and necessary element in our whole economic, industrial and commercial order today. But so often are some aspects of speculation in securities forgotten, or perhaps totally misunderstood, that a word concerning speculation is necessary here.

Until we get a perfect Utopian state and a specially trained set of archangels to run it, we are going to have uncertainties and risks in all our major business enterprises. And as long as we must have these risks, we must also have some set of men who will be willing to take them. Now it is the speculator who assumes the heavy risks of industry for heavy prospective profits. Unlike the gambler, the speculator does not create the risks which he assumes. They are already created for him by the hazardous nature of most business enterprises. And the speculator is essential to industry, simply because he alone will assume these inevitable risks of industry.

In times of prosperity and rising prices, the speculator is very apt to be considered the villain of our whole economic structure. It is sometimes true that in his over-enthusiasm the speculator will tend to cause slightly higher prices for a short time than intrinsic values would warrant. Yet, even so, speculation always contains the seeds of its own cure, for no speculator can regularly make any profit unless his operations anticipate the general tendencies of supply and demand. But it is always easy and popular to blame the speculator for every shift caused by the abstract forces of supply and demand, in just the same way that the Indians used to blame the thunder and lightning storms, which they didn't understand, on a personal devil, whom they felt perfectly confident that they did understand. It is con-

sequently a brave man who will have any good word for the speculator today.

But in times of adversity, when the business outlook is almost hopeless, at what might be called the zero hours of industry, the speculator suddenly becomes the hero of the whole economic drama.

An interesting example of this fact was afforded in France in 1871. In that dark hour of France's destiny, a revolutionary Commune ruled her government, Prussian soldiers stood guard over Paris, her armies were crushed, some of her fairest and most valuable provinces were lost, and France faced the huge war indemnity of several billion gold francs. If ever the outlook for French business—yes, and for the solvency of the government itself—seemed hopeless, it was then. And yet, as we all know, France's recovery from her prostration was so swift that it astonished the world. How was this remarkable recovery brought about? The leading French economists agree that the speculator was primarily responsible. When conditions were so bad that the conservative bankers and business men stood irresolute and the conservative investors were dumping overboard their government bonds and private securities wholesale on the Bourse, the speculator went boldly into the market and assumed the risks of industry and government by purchasing them, until their prices ceased to fall, stood firm, and then began to recover. Soon the confidence in France's future spread from her credit market into her whole business community, and the conservatives who for the time being had been frightened to death, took heart again. And the remarkable economic "comeback" of France in the late 70's and 80's was the result.

The Speculator's Contribution in 1914

But there is still another example of this same fact, which happened nearer home. Some of the readers of this magazine, I am sure, still remember a gloomy and anxious winter in this country six years ago—in 1914. The world war had just broken out and American finance, commerce and industry was, for the time being, demoralized. We were told that civilization was committing suicide, that our credit machinery was irreparably shattered, that international trade would never recover, that American industry had received its death blow. Business that winter was practically at a stand-still, and a ruinous period of stagnation in trade seemed to await us.

It was in the face of such depressing opinions as these, that the speculator at that time, alone among our business men, dared to assume the risks of industry by purchasing our industrial stocks. But the speculator was not afraid. He believed in the future of this country and its industries, and he backed his belief, not with mere talk, but with money. His speculative purchases in the market first stabilized prices and then advanced them, and largely as a result of his financial courage our confidence was restored, until soon our factory chimnies smoked again and our mills roared with increasing production.

The speculator, therefore, is needed at all times by American industry to absorb its risks, and make conservative investing possible for less daring men. New enter-

prises, and weak uncertain enterprises, particularly call for his constant courage and audacity. He is the financial pioneer, and the financial savior of causes almost lost. We may complain of his over-enthusiasm, perhaps, in times of high prices, although even then it is usually he himself who is also mainly responsible for reducing them again. But we have and will invariably rely upon his courage and daring when the industrial clouds gather, and business men fear for the darkening future.

And then, there is another thing about the speculator that I should mention here. It is a common but mistaken belief that almost all the speculators in the stock market are confined to the Wall Street district. Statistics show that while twenty-five years ago, some 60% of the orders on the New York Stock Exchange came from this city, and 40% from the rest of the country, now only about 20% come from New York, and 80% from the rest of the country. Speculation is much more evenly spread over the country than ever before, and you will find speculators all over the United States today.

As long as the pioneer spirit is strong in our people, as long as new business enterprises are attempted or old enterprises entail risk, so long we will have the speculator with us. And, if we are to maintain our amazing rate of industrial progress, we will need the speculator to bring forth the inventor's dream and the scientist's discovery, out of the work shed and the laboratory, and place them at the practical service of mankind.

Is the Stock Exchange a Thing Apart?

To return to a thought expressed in the beginning of my remarks, one danger of over-specialization in America today, is that it tends to make us stress the superficial differences rather than the fundamental resemblances between different types of modern business life. It is not the far cry that it might seem, from the busy floor of the Stock Exchange to the vast industrial establishments all over the Nation. But we are all apt to be too busy, or too careless, to study beneath these superficial differences to find the fundamental resemblances. I only hope that my brief remarks—at least I have tried to keep them as brief as a somewhat complicated topic would permit—may have assisted in making a little clearer, the real relationship existing between the stock market and the large-scale industrial manufacturers of today.

An experience of over a century and a quarter in maintaining the leading American securities market, has taught the members and governors of the New York Stock Exchange the vital necessity of keeping that great market *free and open*. In fact just this phrase—*"a free and open market"*—is constantly on the lips of Stock Exchange men, as an ideal to be invariably striven for. But so bare a phrase needs a few words of additional explanation, before its full significance will be seen.

By a *free* market we mean a market which is not dominated by any man, or any group or class of men—a market, too, which is not hampered by legislative interference, or uneconomic government regulations and red tape. The maxim that we must have "more business in government and less government in business," is nowhere truer than in our security and money markets today.

In this connection, I feel I should mention a little incident which recently happened in the Exchange, because it points a typical and highly significant lesson. Some Bolshevik, who by the way is apparently still at large, took it into his head to inaugurate the social millenium by exploding a bomb in the heart of Wall Street, close to the Exchange. The day when this little social amenity occurred, happened to be a rather nervous time on the floor. As soon as the explosion, which killed some forty men, women and children in Wall Street, had occurred, the tickers sent the news of the catastrophe flashing to the far ends of the nation. In the light of a subsequent severe decline in prices, it is logical to suppose that, had the Exchange attempted to remain open that day, we might well have had a panic then and there, with disastrous results to all industrial credit and all American business. Fortunately, however, Mr. Remick, the then President of the Exchange, was on the floor at the time, and he at once rang the gong there which suspends trading. Simply because there was an expert and an authority on the spot, any danger of panic was averted. If the Exchange had been incorporated on the day of the bomb outrage, if its authorities had to encounter injunctions and tedious legal delays every time they attempted to do their obvious and imperative duty—and in no business in the whole world is *instant* action so absolutely essential as in the ever-changing and tremendously sensitive stock market—you can well see what grave dangers the whole American business world might encounter as a result. It has been because little incidents like these—or graver, more serious events, like the outbreak of the European War—may unexpectedly occur at any time, that the Exchange has always opposed incorporation. **The country cannot afford to substitute for a free security market governed by experts, a limited and restricted market governed by political considerations and legal experiments.**

But to get back to our phrase—a "free and open market" again, what is meant by an *open* market? Simply a market in which all men can buy or sell on an absolutely equal footing—a market which is not maintained for any chosen or limited few, but for every honest investor or speculator in this country—and a market, furthermore, whose transactions are given the greatest and speediest possible publicity.

Experience, I repeat, has conclusively shown the Stock Exchange that only in such a market can all the buyers and all the sellers meet, and thus establish the fairest price to every one concerned. The Stock Exchange therefore must keep its great market for American and foreign securities at all times free and open in common justice and in accordance with the fundamental laws of economics.

The Bureau of Mines advertises for an oil shale engineer, salary $1,800. The appointee can secure first-rate housing accommodations in Washington for about $1,750.—*Mining Congress Journal.*

What Would This Page (from our Investment and Business Service) have made or saved you?

Position of the Stock Market

Based Upon an Analysis of the Technical Position Thursday Morning, April 21, 1921

Stocks in the best position are printed in italics.

Note—As the position of groups and securities are subject to sudden and frequent changes, it is advisable to limit the risk on all transactions based on distribution or accumulation indicated below.

GENERAL MARKET.

The average price of 50 stocks has made a gain during the past week. The rails recovered sharply and have held most of their advance. The industrials have done almost as well. The greatest element of strength has been in the public utility group, but numerous other groups are either in a sold out condition or are showing symptoms of strength. A few issues are still sensitive to bear raids, but these latter are becoming less in number and effectiveness. Action of the market is distinctly encouraging to holders of stocks.

STRONG GROUPS.

OILS—*Gen. Asphalt*, Cosden and Middle States in strong up trend. Accumulation of *Mex. Pet.* around 140 should lead to further advance. *Pan Am.* should follow Accumulation of Col. Gas, *Pure Oil*, Royal Dutch, Shell, Sinclair, *Stand. Oil of N. J.*, *Texas Co.*, T. & P. Coal & Oil, Transcont., Union and White.

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RAILS—Accum. of Atchison, B. & O., *C. & O.*, St. Paul com. and pfd., Ch. & N'west., Rock Island, *Col. & So.*, Ill. Central, L. V., Mo. Pac., N. Y. Central, Norf & West., *Pere-Marq.*, Pitts. & West Va., *Reading*, So. Pac., St. L. & San Fran. com. and pfd., Union Pac., Wabash A., St. L. & So. W. com. and pfd., *West Pac. com and pfd.* Still some weakness in Atl. Coast, D. & H., Erie, L. & N., Pennsylvania.

STEELS—Investment accum. of *U. S. Steel* has about exhausted the floating supply at this level and the next important move in this stock should be upward. *Beth. B.* is in a similar position. Accum. of Col. Fuel, Replogle, and Vanadium. Crucible, Lackawanna and Republic doubtful. Midvale sold out. Upward trend in Nova Scotia.

MINING & SMELTING—Accum. of Am. Sm. & Ref. under 40; *Utah, Greene Cananea, Anaconda, Chino*, Cerro, Inspiration, Kennecott, Miami, Ray, Seneca.

EQUIPMENTS—Am. Car Fdy., Loco. and Baldwin look better and may improve. *Gen. Elec.* very strong. Accum. of Haskell around 55, Air Brake under 75, Pressed Steel around 85. Weakness in Pullman, R'way Steel Spring. A little distrib. W'house.

TIRES—Accum. of *Ajax*, Goodrich, Fisk, *Kelly* and Keystone. U. S. Rubber doubtful.

TOBACCOS—Strong accum. of *Am. Sumatra* around 72-3; Am. Tob. about 115; *Un. Ret. Stores* about 50. Lorillard and Liggett in a strong position. Tob. Prod. looks better but still a little doubtful.

FOODS—Accum. of *Cal. Pack., Corn Prod.* and *Wilson.* Food Prod. doubtful but pool might advance it when others show strength.

CHEMICALS—Weak rally in Allied Chem. Accum. of Am. Agri. under 50; *Int'l. Agri.* pfd., 45-8; *Alcohol* 65-7; Va. Chem. around 30.

LEATHERS—Accum. of Hide & Leather pfd. under 45; Central Leather under 35; *Endicott Johnson*, 61 in strong position.

MACHINERY & MFG.—Up trend in *Allis Chalmers.* Accum. of Pneu. Tool, *Harvester;* Worthington under 50. Enameling doubtful.

PUBLIC UTILITIES—Strength in *Am. T. & T.* and *Cons. Gas.* A little distrib. No. Am. around 60. Accum. Pac. Gas under 50. Profit taking in Peoples Gas.

TEXTILES—Reaccum. *Am. Woolen* 70-73; Asso. Dry goods around 31 Cons. Textile around 19.

MISC. INDUSTRIALS—Am. Ice, *Burns Bros.* and *Pitts. Coal* in a bullish position. Accum. *Am. Can* and *Cont. Can.* Weakness in Linseed. Pool rallied Col. Graph above 9. Strength in Famous-Players, N. Y. Dock, Sears-Roe. Distrib. U. S. Realty.

DOUBTFUL GROUPS.

MOTORS—*Chandler* in strong position. Liquidation of Gen Motors continues. Hupp reactionary. Accum. of *Studebaker* & Int. Motor Tr. but Pierce and Willys pfd. doubtful. Profit taking in White.

MOTOR ACCESSORIES—Accum. of Fisher Body under 85. Stew.-War. still heavy. Others doubtful.

SUGARS—A little accum. of Am. Beet, & Cuban Am. Weakness in *Am. Sugar*, Cuba Cane & Punta.

SHIPPING—*Un. Fruit* and *Marine pfd.* in strongest position. Am. Int'l. and others doubtful.

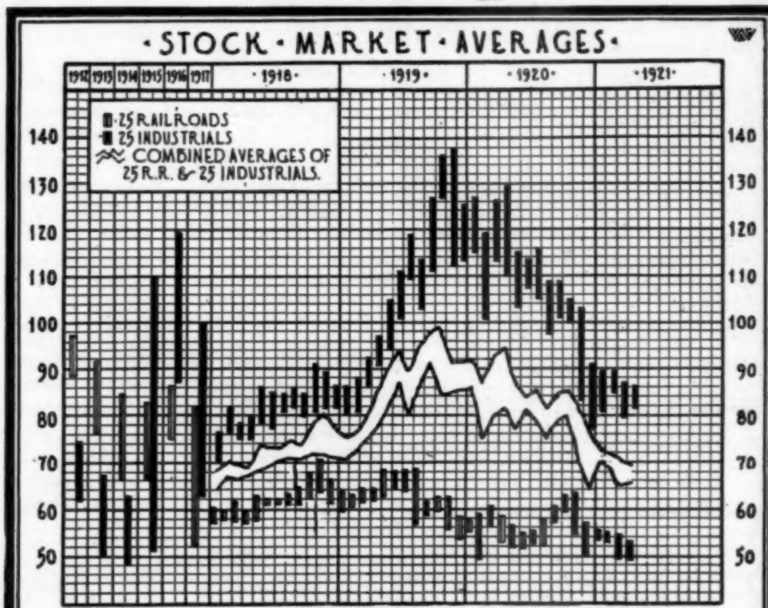
PAPERS—A little accum. of Am. Writ. P., 31. Int'. Paper being distributed. Union Bag doubtful.

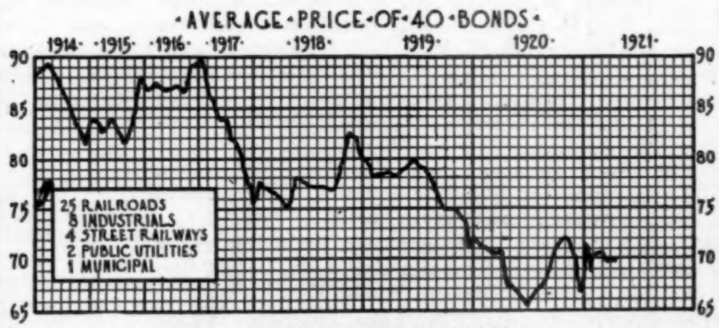
CONCLUSION.

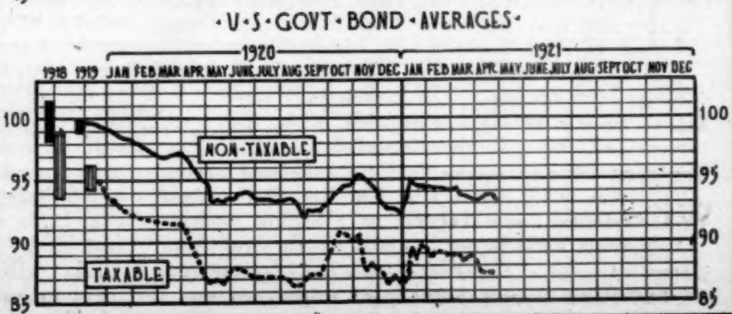
It will be seen from the above that most of the groups have swung over to the strong side. The market has therefore made progress in the improvement of its technical position and is ready to respond to bullish developments. These may appear at any time, or they may be further delayed, but it is difficult to make money on the short side of such a market and we are therefore now willing to adopt a definitely bullish position. There may be further bear raids, dividend cuts and other symptoms of the end of the readjustment period, but we expect the market will begin very soon to discount an improvement in business conditions within the next several months.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, April 11	69.82	76.15	69.36	67.41	66.58	345,295
Tuesday, April 12	69.81	76.28	69.79	67.79	66.54	586,766
Wednesday, April 13	69.78	75.93	68.88	67.45	66.51	452,685
Thursday, April 14	69.63	75.06	67.86	66.71	65.69	569,660
Friday, April 15	69.80	76.18	70.28	67.96	66.30	688,700
Saturday, April 16	69.89	76.33	70.31	68.34	67.69	299,103
Monday, April 18	69.73	76.15	69.88	67.86	67.11	412,564
Tuesday, April 19	69.74	76.10	69.33	67.80	67.19	473,887
Wednesday, April 20	69.77	76.08	69.27	67.53	66.96	403,822
Thursday, April 21.......	69.76	76.54	69.54	67.72	66.68	694,277
Friday, April 22	69.80	77.63	70.10	67.96	66.30	688,700
Saturday, April 23	69.64	78.15	71.30	69.46	68.31	554,000







To April 24,

ANSWERS TO INQUIRIES

(*Continued from page 911*)

they actually follow the 4s of 1949. This is probably due to the small amount outstanding. Southern Pacific "convertible" 4s, 1929, sell at 78½ (no longer convertible) while Southern Pacific refunding 4s sell at 76. Central Pacific 4s, 1949, are guaranteed principal and interest by the Southern Pacific Company by endorsement. It is obvious from a comparison of these prices that Central Pacific 4s is the best bargain of the group. These bonds are very strongly rated, legal for investments for savings banks in several states and put out in 1908 at 95½. Between 1910 and 1914, they seldom sold under 95 and as late as 1917, sold at 93⅞.

This is a first mortgage on 1,342 miles of road essential to the Southern Pacific system. The yield to maturity is about 6% and the bonds should eventually sell upon a basis to yield 5% or less. We believe that holders of some of the Southern Pacific bonds might well switch into Central Pacific 4s of 1949.

CHICAGO, MILWAUKEE & ST. PAUL 4½s
No Longer Gilt-Edge

Chicago, Milwaukee & St. Paul seems to be going from bad to worse. Traffic has suffered an enormous slump and the road seems unable to cope with the present situation. Earnings are at the rate of only one-half of fixed charges at the present time, and we believe that bonds like the refunding 4½s and convertible 4½s are likely to sell lower rather than higher in the next few months.

It seems to us that it would be desirable either to sell these bonds on any rally in the market now or watch earnings from now on very closely. If no improvement sets in in the next month or two, we would be disposed to take any loss and switch into a bond like Chesapeake & Ohio convertible 5s of 1946. These are a direct obligation, are convertible into the common stock at $80 a share, and although not strictly a gilt-edge bond, is selling at a substantial discount from par and likely to sell much higher eventually.

In former years St. Paul 4½s made a very good showing and were rated very high. However, conditions have changed and these bonds are no longer gilt-edge.

AMERICAN TELEPHONE & TELEGRAPH COMPANY
Should Sell Considerably Higher

During the year 1920, the net income of this company after charges and Federal taxes amounted to $51,821,215, equivalent to $11.70 a share earned on its $442,825,000 capital stock as compared with $10.04 earned during the previous year. The dividend on the stock of this company was recently increased to 9% and there is little doubt that this rate can be maintained.

As a result of the very heavy expenditures the company has been making for a number of years past, for additions and improvements, there is not much doubt that the results of the current year will

be gratifying and earnings should be even better than they were during the past year with an additional margin of safety shown in excess of the 9% now being paid on the company's outstanding capital.

With the advent of a lower money market and the development of any upward tendency in the prices of securities, the stock of this company should sell considerably above its prevailing quotations.

COSDEN AND COMPANY
Earnings Believed to Be Good

The net earnings of Cosden & Company for 1920, before the payment of Federal taxes and allowances for depreciation, amounted to approximately $14,000,000. Since the formation of the present Cosden and Company, its bonded indebtedness has been reduced about $4,000,000 to approximately $7,000,000 by sinking fund operations, in a little over three years. The complete statement of earnings has not as yet been published for 1920, but it is understood that the company is well entrenched to meet competition and there is every reason to suppose that earnings during the current year will equal or surpass those of 1920.

LIGGETT & MYERS TOBACCO
Debenture Gold 7s—1944

During each year and until full payment and discharge of these 7% bonds, the company undertakes to pay into the sinking fund, the sum of $160,000 to be used for the purchase of these bonds at not exceeding 130. All bonds so purchased shall be cancelled and all or any part of the said $150,000 which may be unused during the year shall be returned to the company. These debentures have a very large equity, excellent salability and in all respects, are rated very high.

The earnings of the company during the past year were excellent and after the payment of dividends on the preferred and common stock, there was carried over to surplus account, $2,637,310. The company's profit and loss surplus now stands at $22,390,335 as compared with $19,753,025 at the end of 1919.

INTERNATIONAL NICKEL
Suffered by Auto Slump

The net earnings of the International Nickel Co. during the three months ending December 31 last were $225,167. This was the smallest net reported for any quarter thus far during the fiscal year, and was equal to 14c. a share on the 1,673,384 shares of common stock outstanding. These earnings compare with those for the September quarter of 44c. a share on the common stock and 75c. earned in the June quarter. The total earnings for the nine months were equal to $1.33 a share.

The cause for the drop in earnings in the third quarter is to be found in the reduced operation of the automobile industry during the closing months of 1920. In addition, there was no recovery in the foreign demand for nickel, and as a result of this situation, the plants are now running at a greatly reduced capacity.

Although there has been some piling up of inventories, the company has been husbanding its resources, so that at the

close of the December quarter current obligations were at a minimum and the company had a substantial cash balance. The resumption of dividend payments from the stock of this company will depend entirely upon a change for the better in general business conditions, but particularly in the automobile trade. Because of its dominant position in the industry, the company should have no difficulty in carrying its inventory account, which should not be increased because of curtailed operations.

On account of the small amount of the company's floating obligations, any improvement in operating conditions would be almost wholly reflected in the company's cash account.

EQUITABLE TRUST COMPANY OF N. Y. ADDS TO PARIS OFFICE

The Equitable Trust Company of New York has announced the opening of a Travel Service Bureau. This Travel Service Bureau will be under the direction of an experienced travel expert. By means of this department, travelers from the United States will be enabled to secure without annoyance or delay suggestions as to the most desirable hotels in foreign cities and towns, and their rates, arrangements for accommodation in these hotels; the purchase of railway and steamship tickets; information regarding train and boat connections; the arrangement of an itinerary; sightseeing trips with competent guides; arrangements for airplane trips; information as to reliable shops and directions for reaching them. The dissemination of foreign trade information, market news, status of commodity markets, and other information necessary to the American business man abroad.

COMPANIES WHOSE SECURITIFS ARE ANALYZED IN THIS ISSUE

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of THE MAGAZINE OF WALL STREET, published every other week at New York, N. Y., for April 1, 1921.

State of New York, }
County of New York, } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared George G. Janosik, who, having been duly sworn according to law, deposes and says that he is the Business Manager of the MAGAZINE OF WALL STREET, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, The Ticker Publishing Company, 42 Broadway, New York City; editor, Richard D. Wyckoff, 42 Broadway, New York City; managing editor, Ralph Rushmore; business manager, George G. Janosik, 42 Broadway, New York City.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.)

Ticker Publishing Company, 42 Broadway, New York City.

Richard D. Wyckoff, 42 Broadway, New York City.

Cecelia G. Wyckoff, 42 Broadway, New York City.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.)

None.

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GEORGE G. JANOSIK,
Business Manager.

Sworn to and subscribed before me this 15th day of April, 1921.

(Seal) MORRIS MEYERS,
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